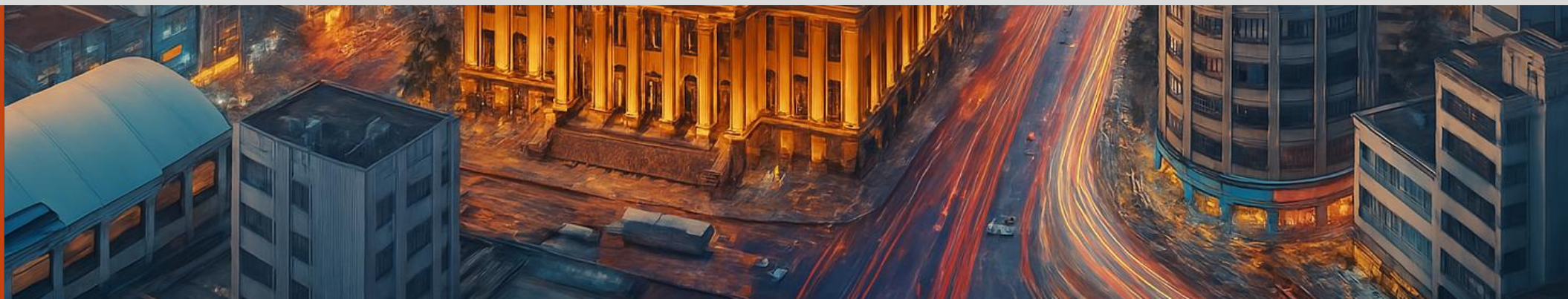




MONTHLY ECONOMIC WRAP | MARCH 2025

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10.04.2025

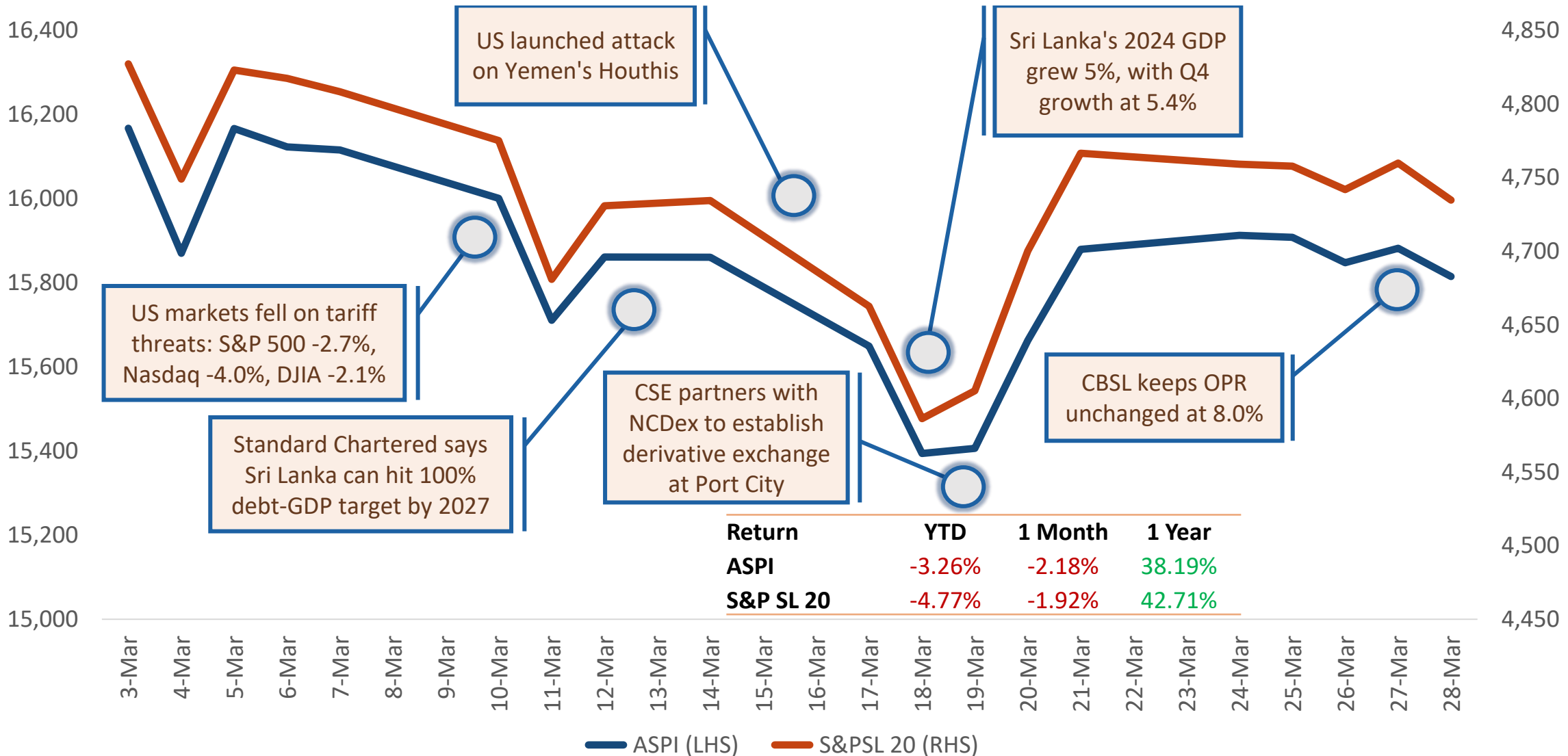


Contents

CSE PERFORMANCE	-----	3
MONETARY SECTOR	-----	11
EXTERNAL SECTOR	-----	19
COMMODITIES AND OTHER	-----	28



ASPI declined 2.2% and S&PSL20 decreased 1.9% in March 2025



Note: Returns are calculated up to 28th March 2025

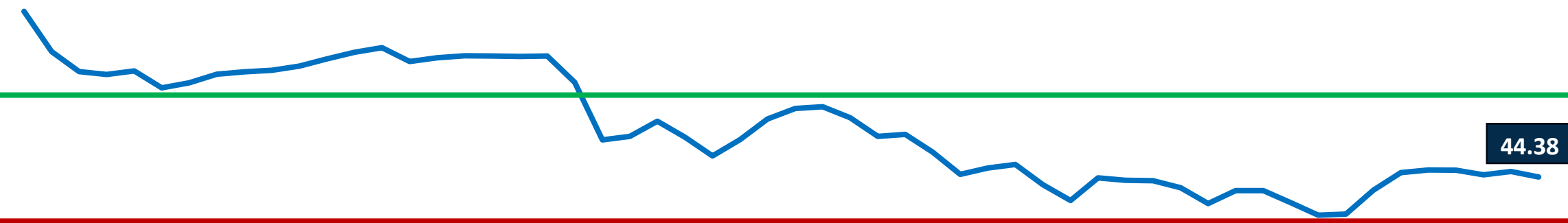
Source: CSE, Ambeon estimates

RSI & MACD of ASPI

ASPI

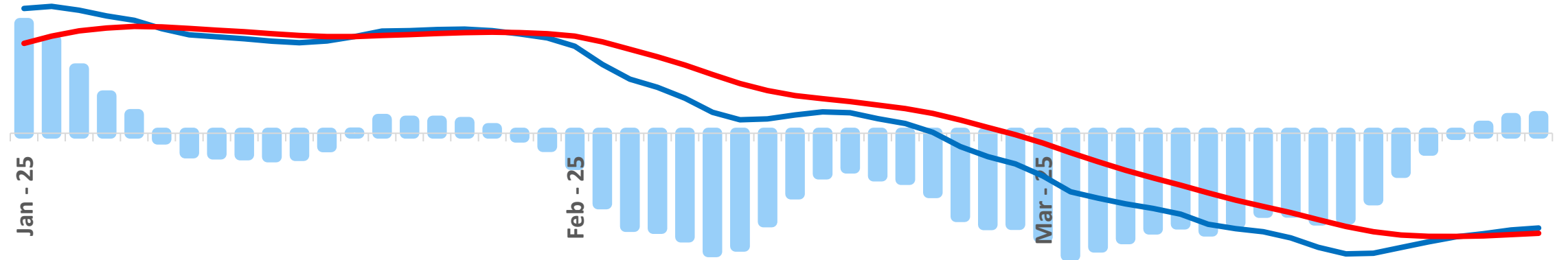


RSI (14)

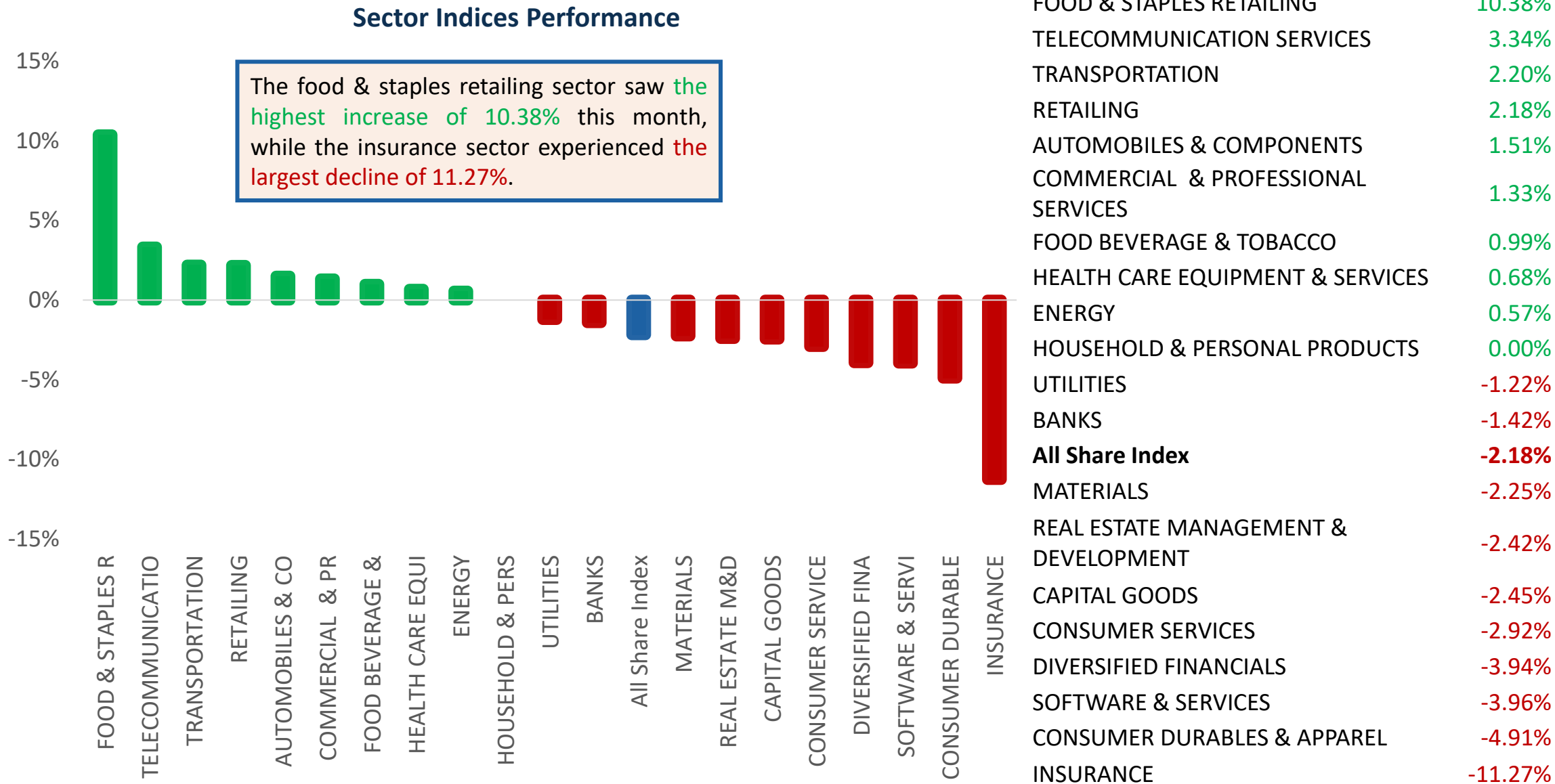


44.38

MACD (12,26)



In March 2025, several sectors experienced a decline

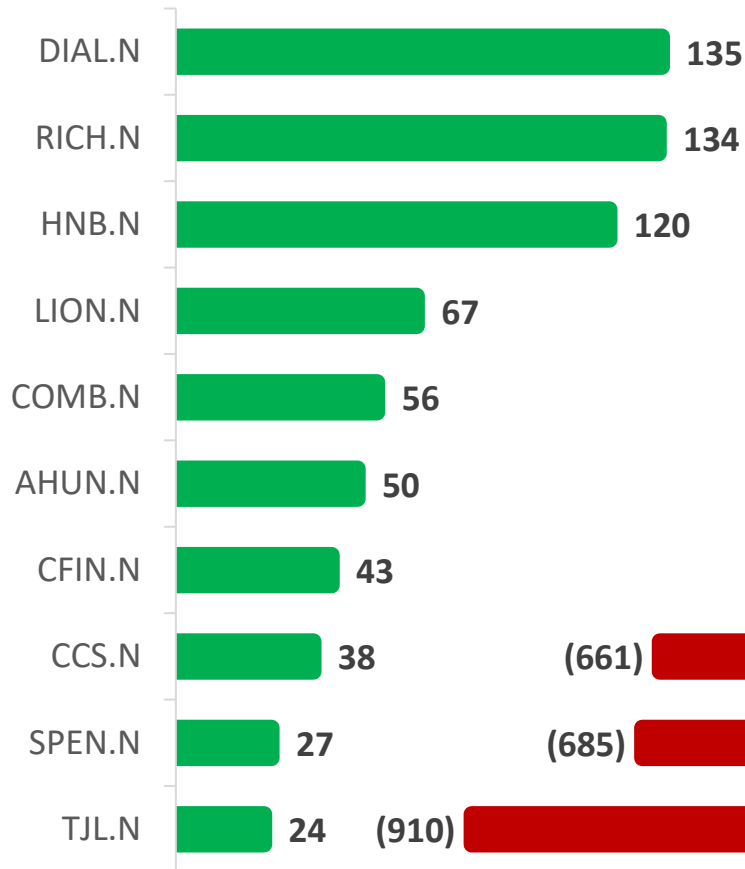


Source: CSE, Ambeon estimates

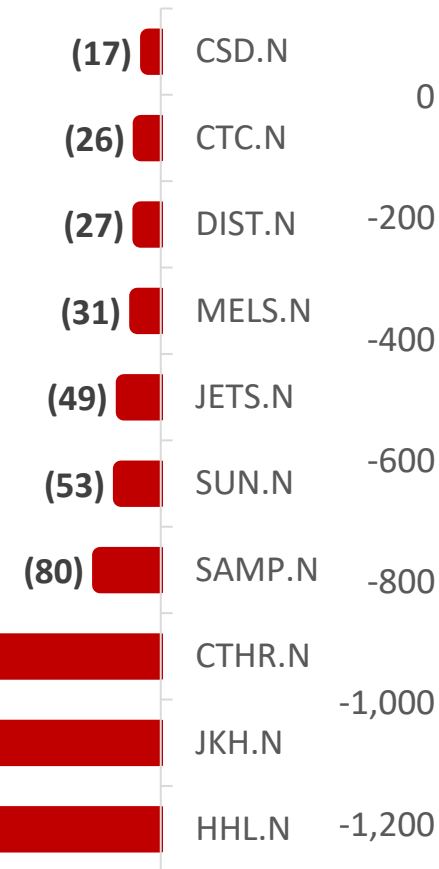
Total net foreign outflow for March 2025 was LKR 1,672 Mn

Top 10 Counters

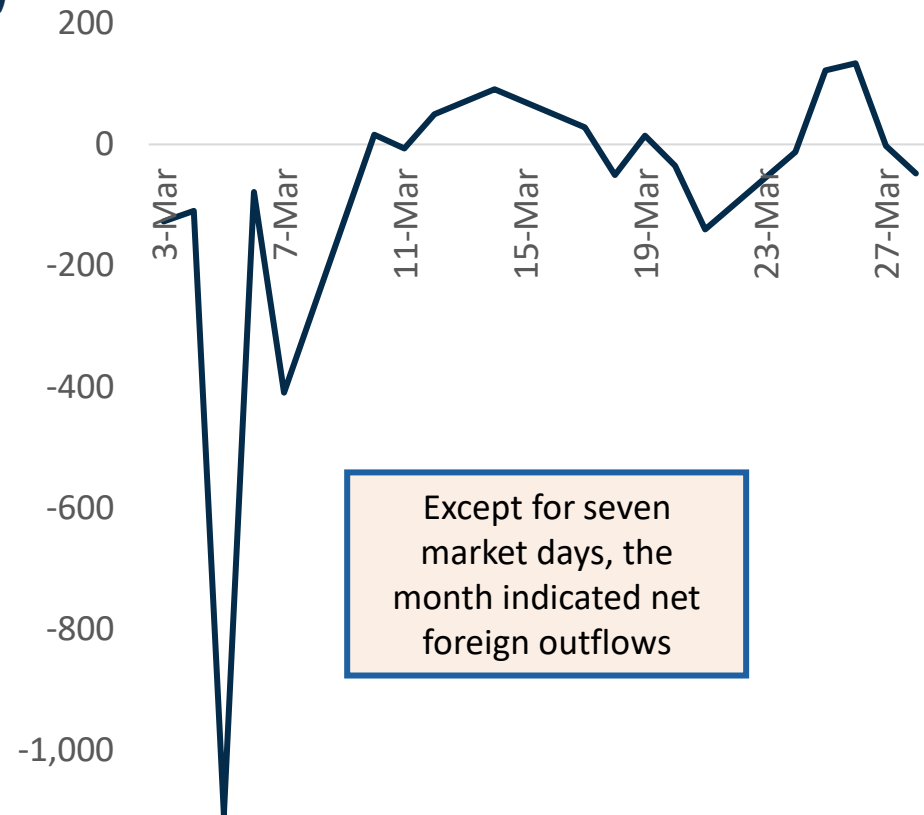
Net Foreign Inflows (LKR Mn)



Top 10 Counters Net Foreign Outflows (LKR Mn)



Net Foreign Flow (LKR Mn)

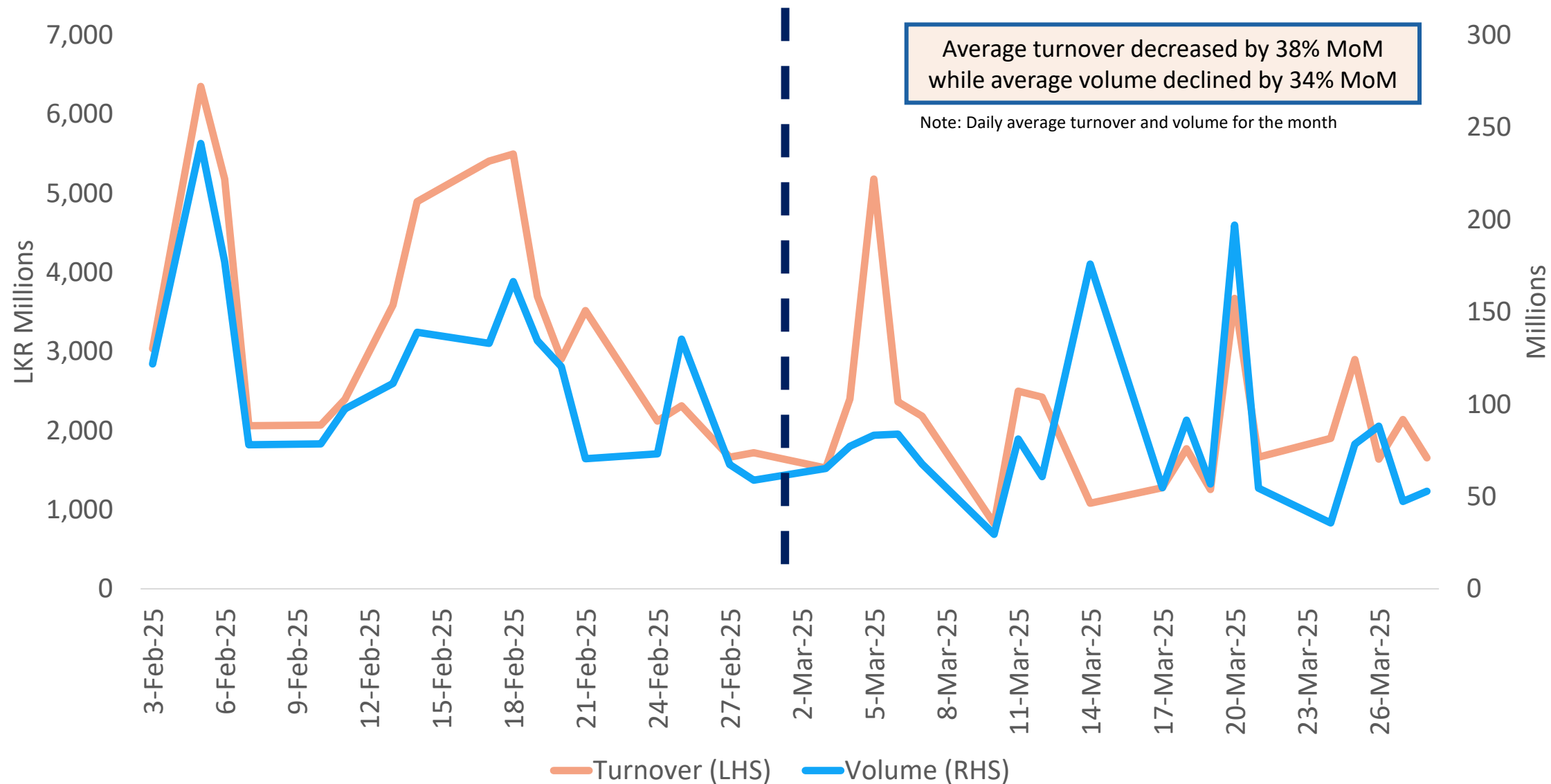


Mar 25 Total Net Foreign Flow LKR -1,672 Mn | Year-to-date Net Foreign Flow* LKR -10,688 Mn

Source: CSE, Ambeon estimates

*Year-to-date calculated as of 28th March 2025

March 2025, average turnover and volume declined



Regional valuation comparison

Frontier Markets (Asia)

Index	PE	PBV
ASPI (Sri Lanka)	11.1	1.2
KSE 100 (Pakistan)	6.7	1.2
VNI (Vietnam)	12.6	1.5

US & European Markets

Index	PE	PBV
S&P 500 (US)	21.3	4.3
DJIA (US)	19.8	4.8
FTSE 100 (UK)	11.7	1.8

Other Markets (Asia)

Index	PE	PBV
Nikkei 225 (Japan)	16.4	1.7
CSI 300 (China)	14.3	1.5
HSI (Hong Kong)	10.1	1.1
BSE 500 (India)	22.2	3.4
NIFTY 50 (India)	21.0	3.3

Key economic news & events

09th Mar

Japan re-schedules Yen loans to SL until 2042 at below 1%

Sri Lanka's defaulted loans of 369.453 billion yen were rescheduled until 2042 with interest rates below 1%, according to Japan's Ministry of Foreign Affairs. Repayments will start on January 5, 2028, in semi-annual installments. Loans to the government will incur 0.96% interest, while loans for a new airport terminal will be charged 0.18%.

19th Mar

China lost USD 7 Bn from SL's debt restructuring

China has faced a \$7 billion loss from Sri Lanka's debt restructuring. Chinese Ambassador Qi Zhenhong stated that China was Sri Lanka's first bilateral creditor to enter the agreement in October 2023 but prefers not to publicize its assistance. He also mentioned that China and India, despite rapid growth, should work together towards shared goals and are not in conflict.

18th Mar

Sri Lanka's GDP grows 5.0% in 2024

Sri Lanka's economy grew by 5.4% in Q4 2024, with a full-year growth estimate of 5.0%, supported by lower inflation and stable exchange rates. The agriculture sector grew 1.2%, industry surged 11%, and services rose 2.4% in 2024. The reduction in inflation and input costs positively impacted producers, leading to lower sale prices.

27th Mar

CBSL keeps OPR unchanged at 8.0%

The Monetary Policy Board decided to maintain the OPR at 8.00%. The Board is confident that the current policy will help achieve the 5% inflation target. Rupee liquidity remains in surplus, and market interest rates have declined because of the eased policy. Credit flows to the private sector remain strong, while the external sector performance has exceeded expectations.



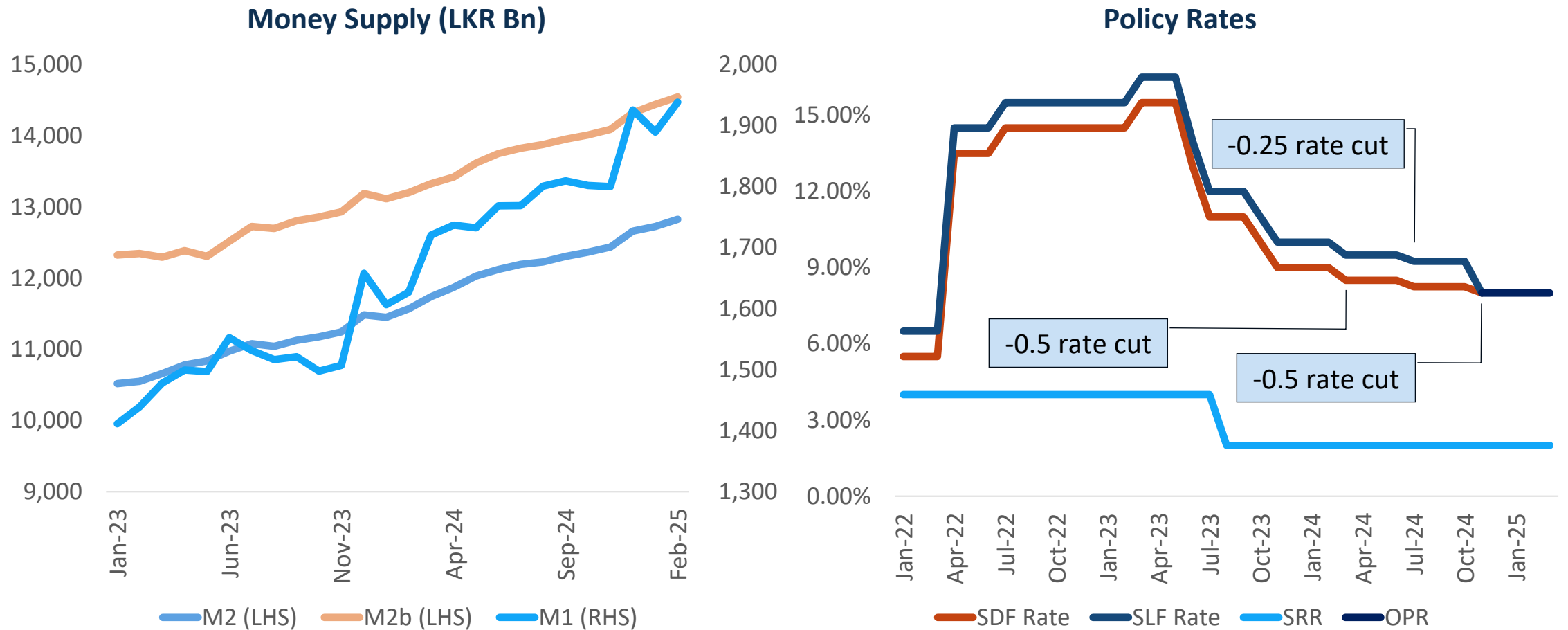
MONETARY SECTOR

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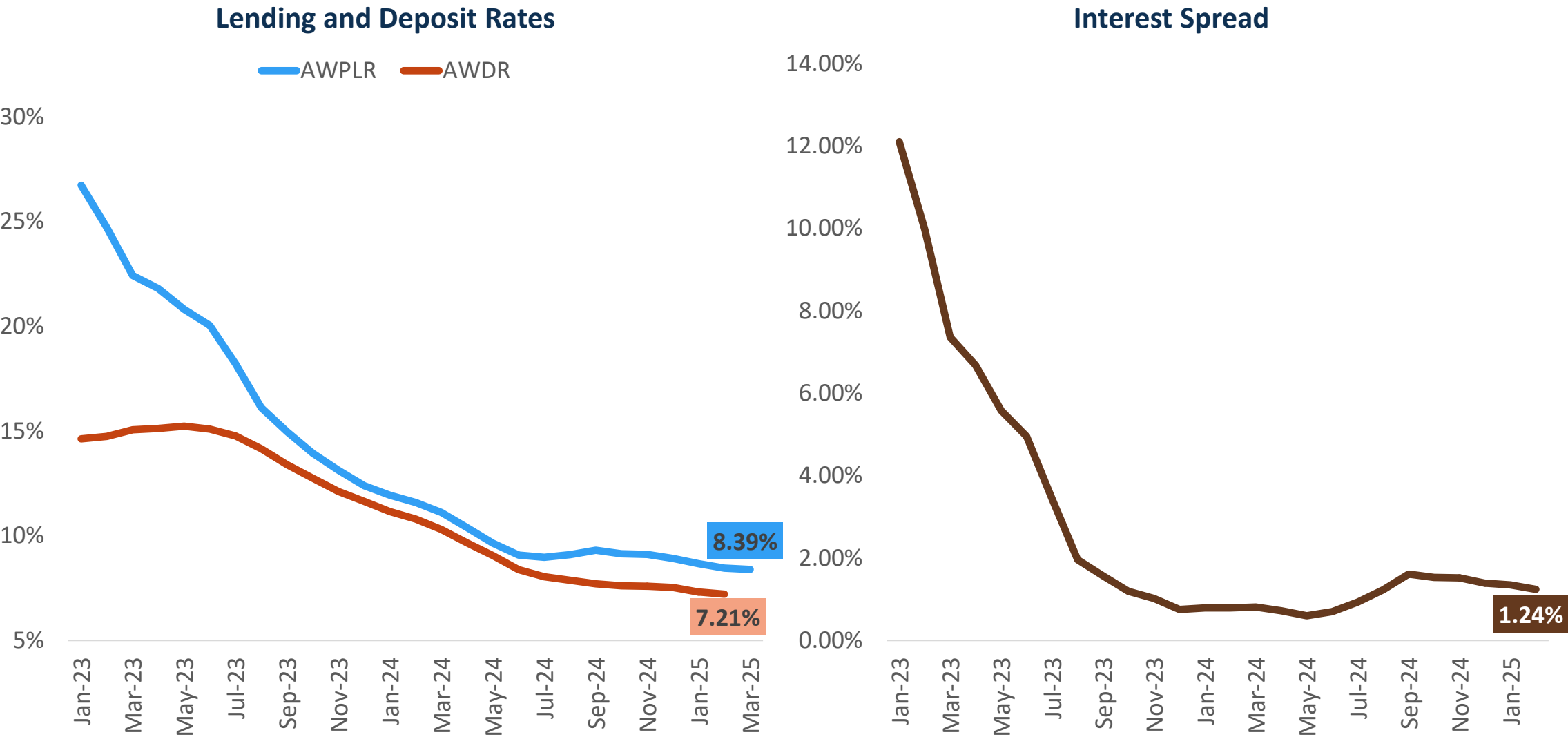


CBSL keeps the Overnight Policy Rate unchanged at 8.0%

By the end of February 2025, Sri Lanka's narrow money supply (M1) rose to LKR 1,938 billion, while the consolidated broad money supply (M2b) expanded to LKR 14,544 billion, marking an increase from January 2025. In its second monetary policy board meeting of the year, held in March 2025, the Central Bank of Sri Lanka maintained the overnight policy rate at 8.0%. The next monetary policy review is scheduled for 25th May 2025.



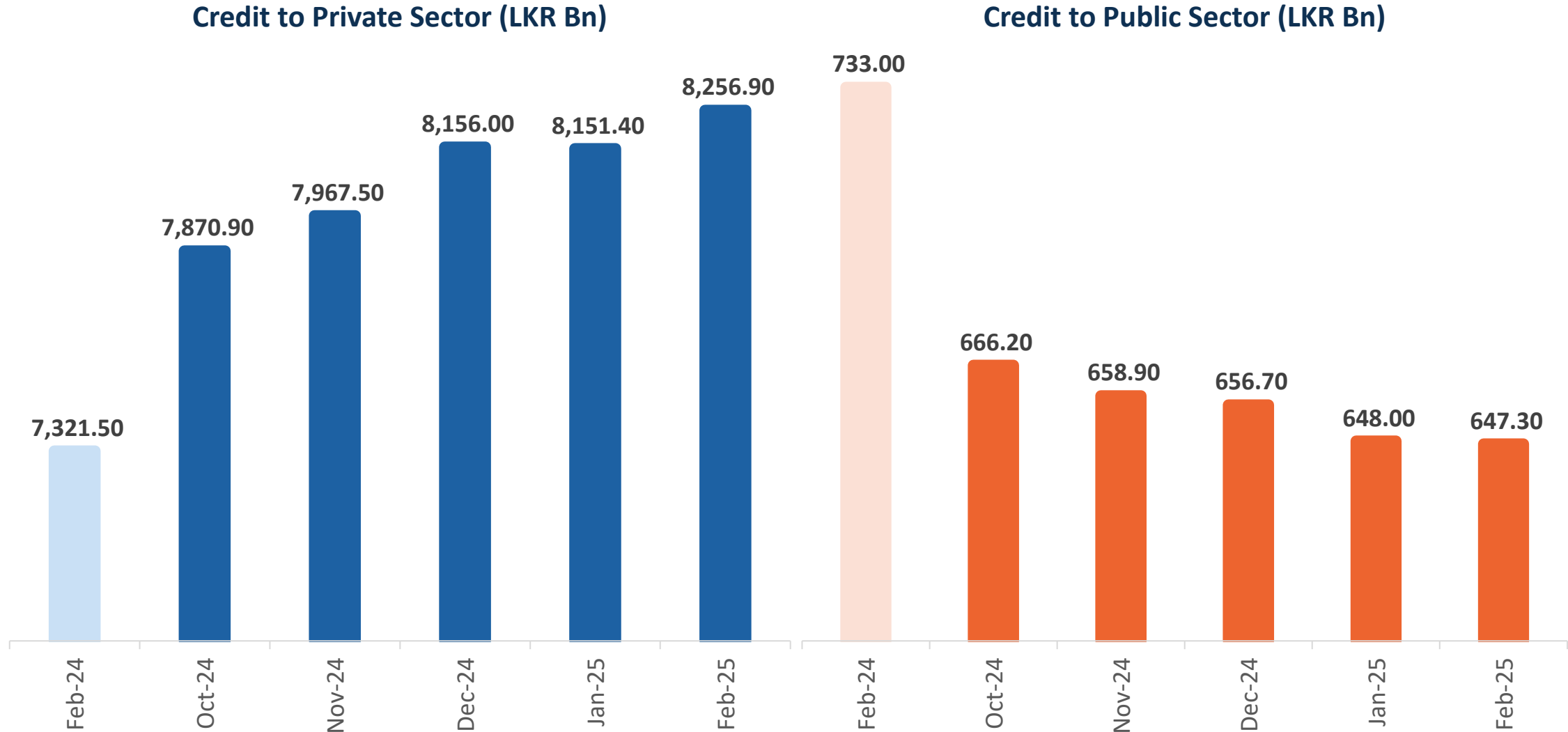
Lending rates experienced a slight decline in March 2025



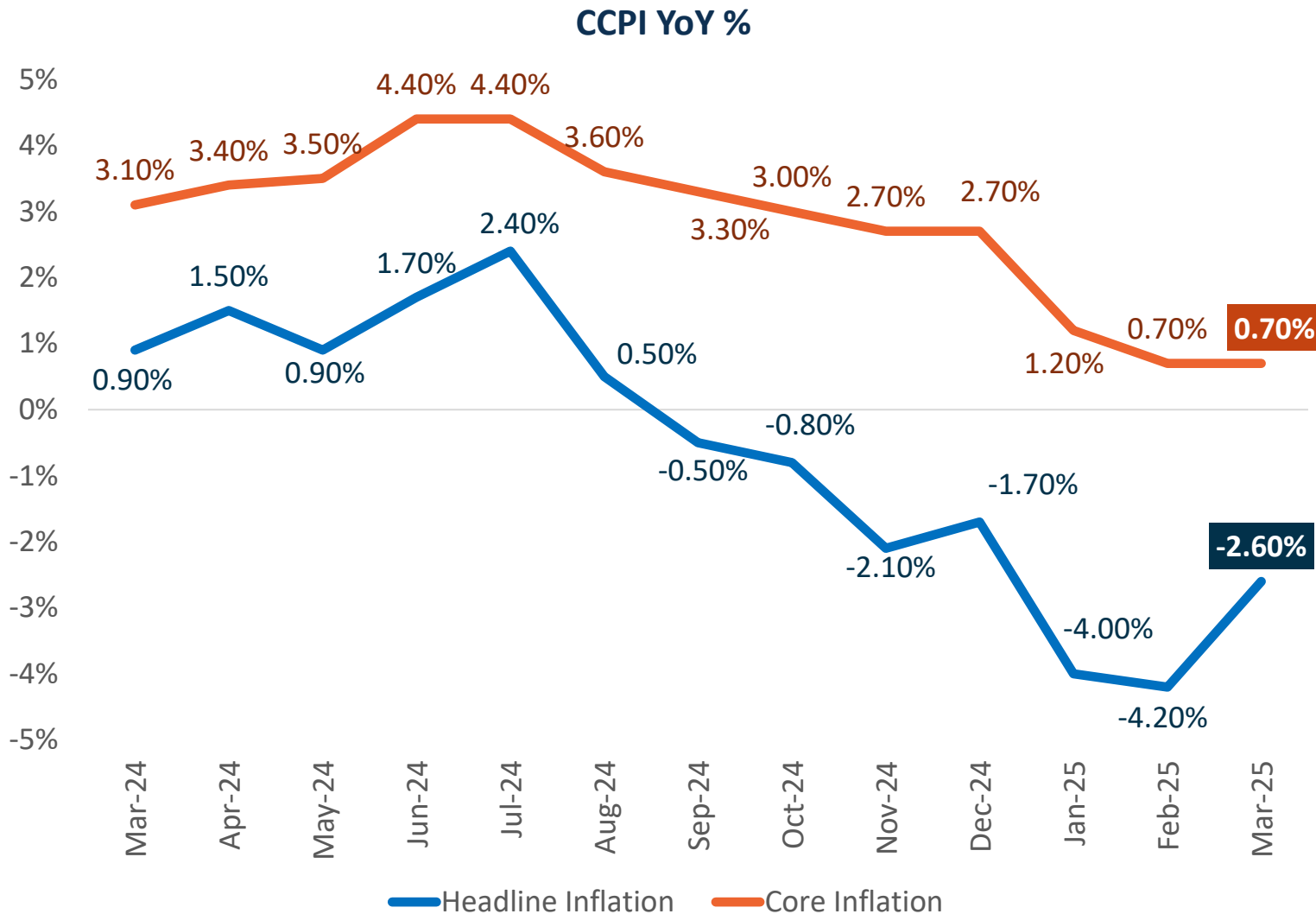
Note: The AWDR for March 2025 is unavailable.

Source: CBSL

Private sector credit experienced an increase from January to February



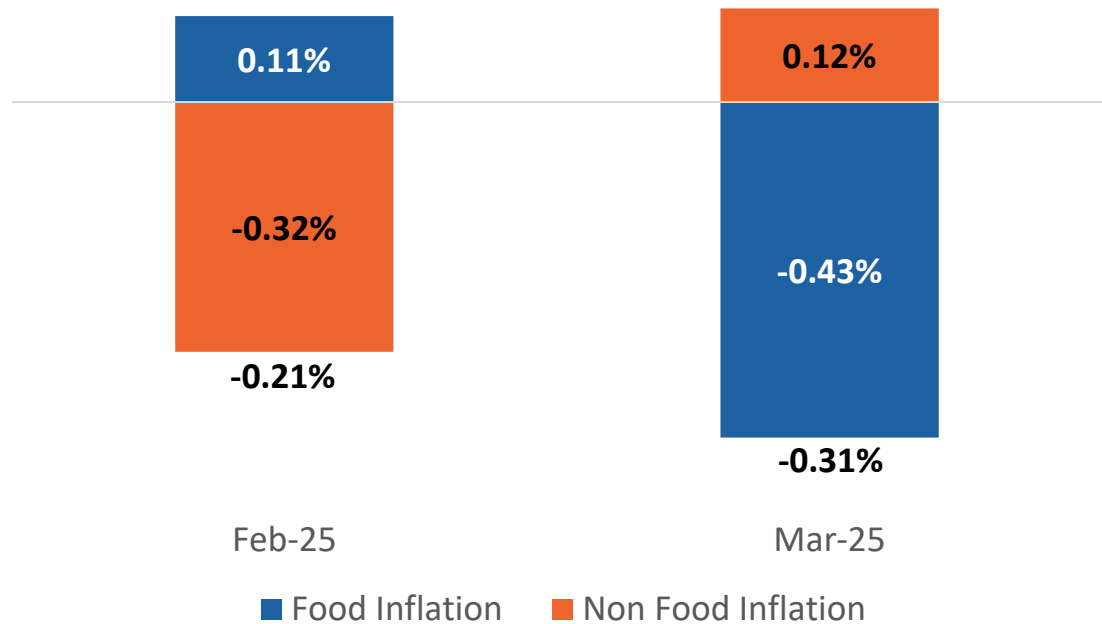
CCPI recorded a deflation of 2.6% in March 2025



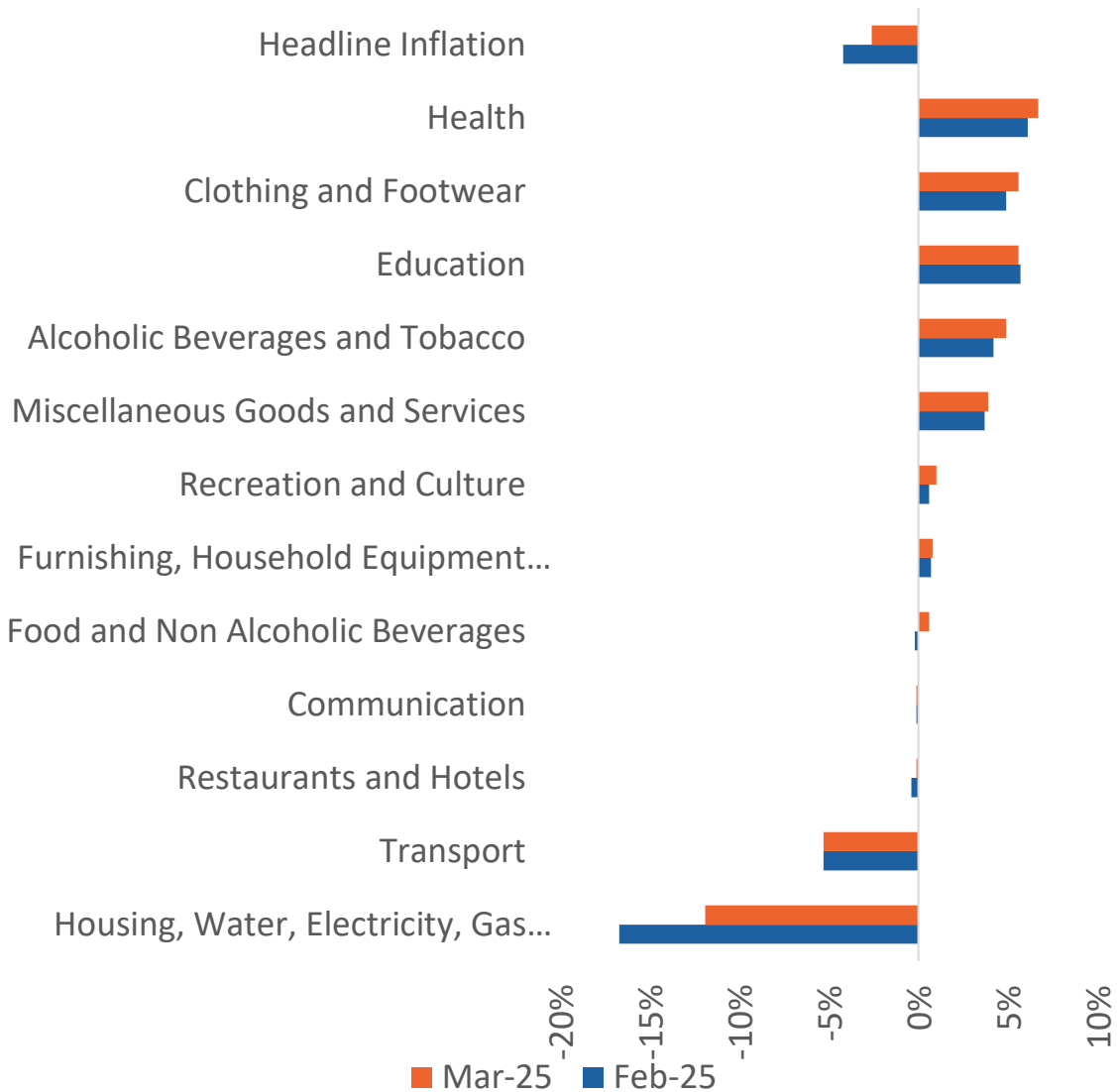
- Headline inflation, measured by the YoY change in the Colombo Consumer Price Index, remained negative for the seventh consecutive month. In March 2025, deflation moderated to 2.6%, easing from 4.2% in February 2025.
- Prices decelerated in alcoholic beverages and tobacco, education, miscellaneous goods and services. Prices accelerated in Health, clothing and footwear and recreation and culture.
- Meanwhile, deflation in the transport sector slightly intensified, whereas deflation in housing and utilities moderated.
- YoY core inflation remained steady at 0.7% in March 2025, unchanged from the previous month.

March 2025, CCPI dropped by 0.31% MoM mainly due to food category

Contribution to monthly change in CCPI



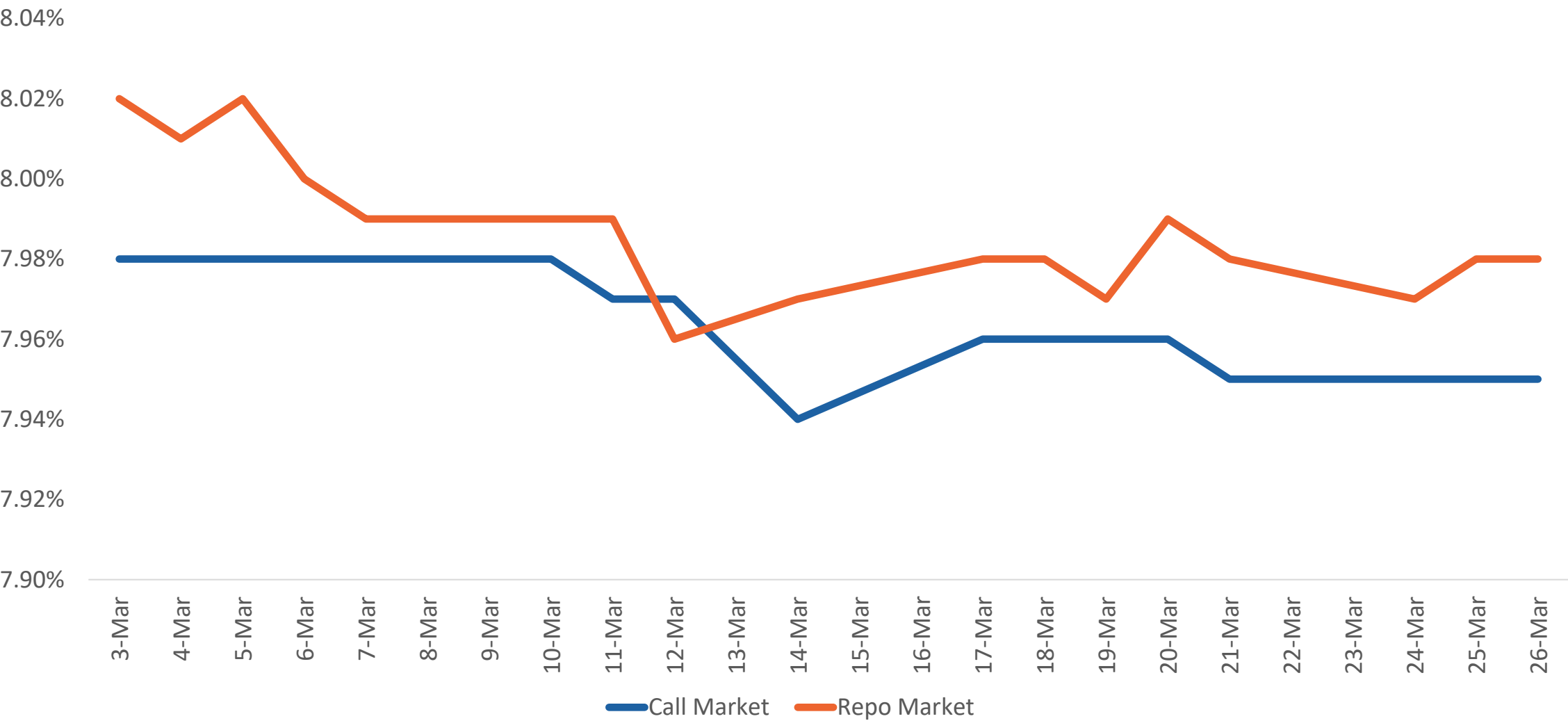
CCPI YoY Change by Subcategory



On a MoM basis, the CCPI dropped by 0.31% in March 2025, driven by a 0.12% increase in non-food prices and a 0.43% decrease in food prices. YoY, non-food deflation decelerated to 4.1% in March 2025, from 6.1% in February 2025. The food category recorded an inflation of 0.6% in March 2025, reversing from the 0.2% deflation observed in February 2025.

In March 2025, call rates and repo rates slightly declined

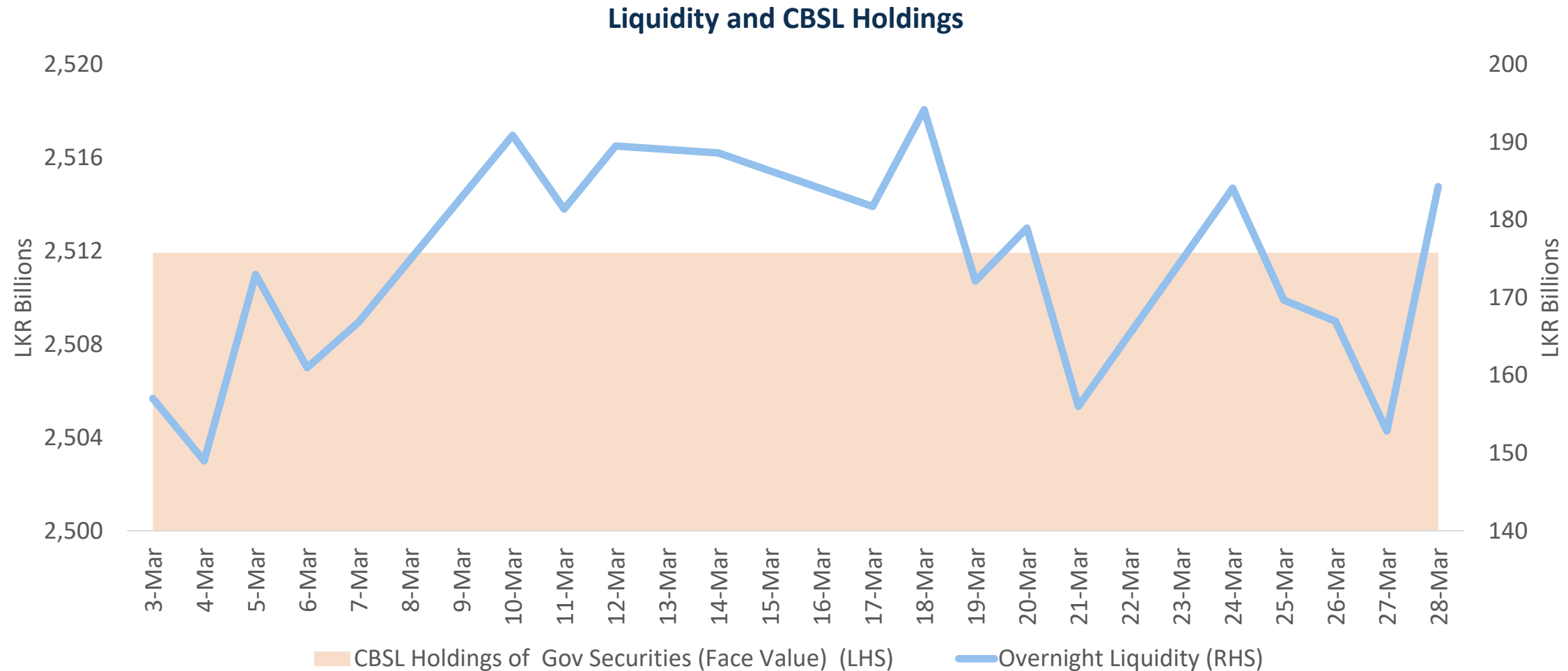
Weighted Averaged Yields of Money Market Rates



Source: CBSL

CBSL's G-Sec holdings were stable; overnight liquidity remained positive

Overnight liquidity increased throughout the month, staying positive and closing at LKR 184.26 billion on 28th March. Meanwhile, CBSL's holdings of government securities remained stable, ending at a face value of LKR 2,512 billion.



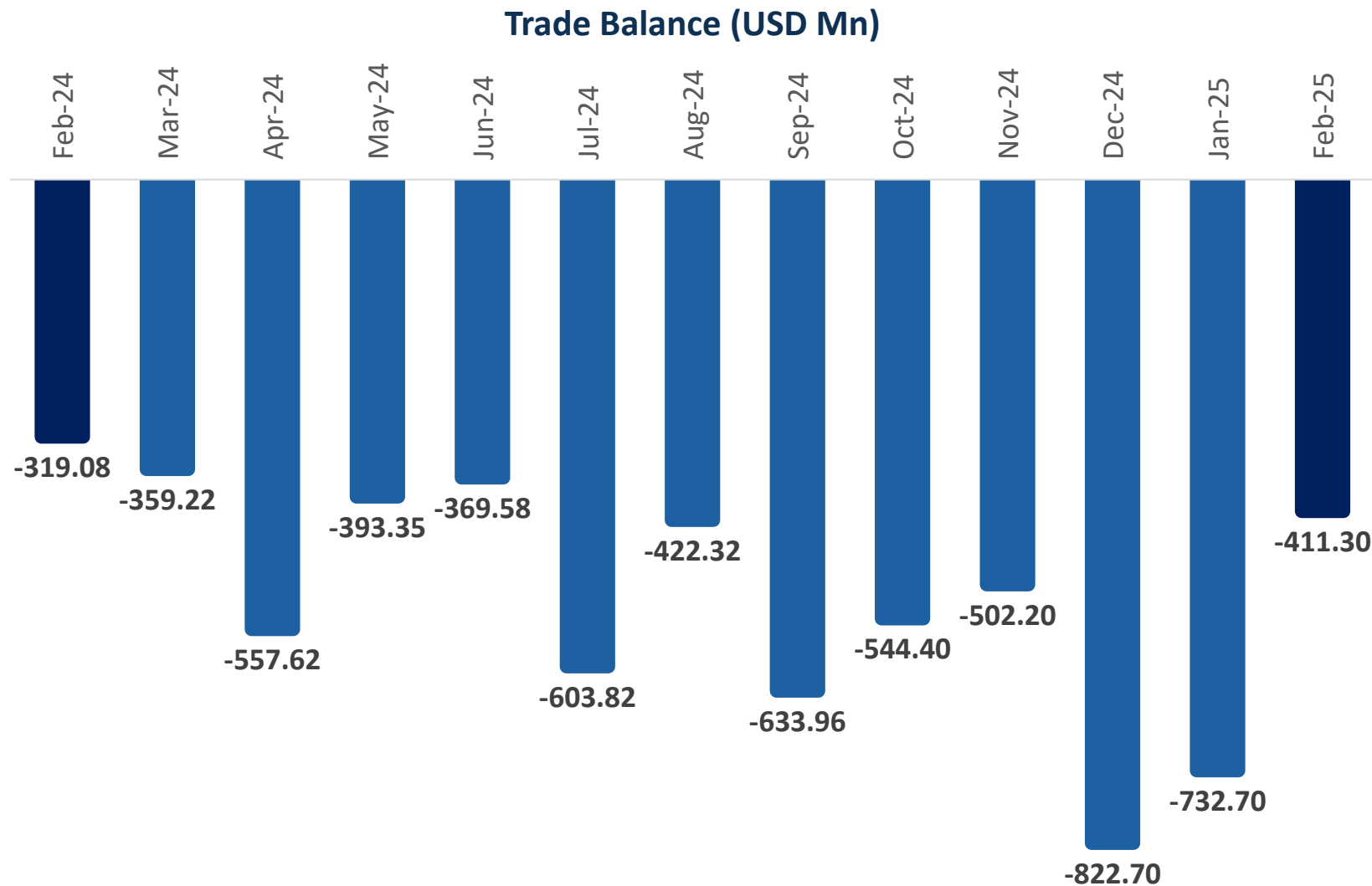


EXTERNAL SECTOR

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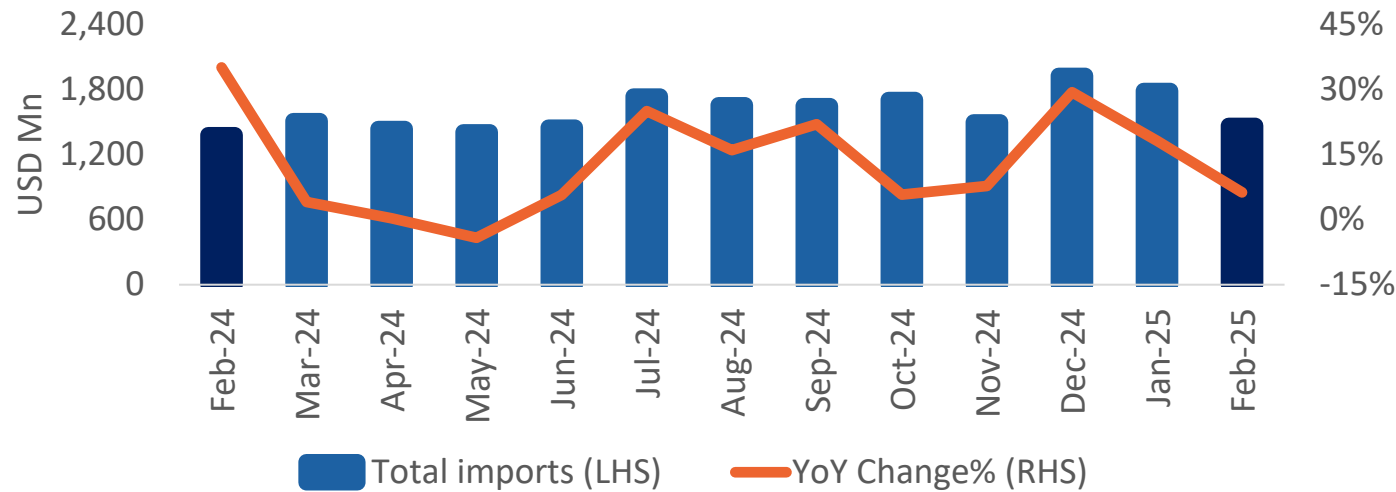
Balance of Trade worsened significantly by 28.9% YoY in February 2025



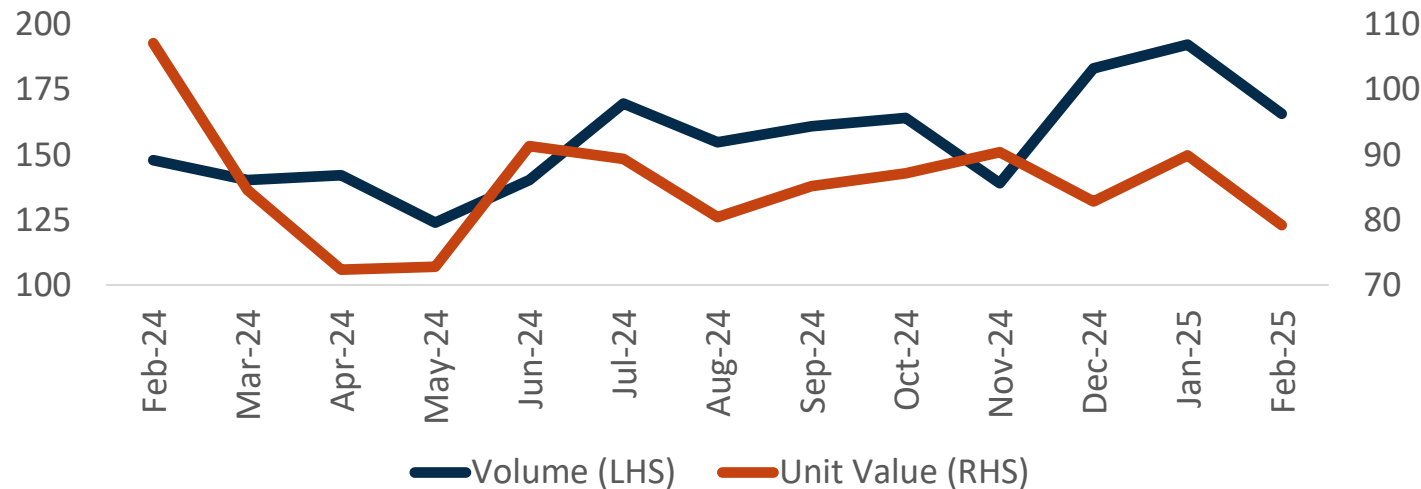
- In February 2025, Sri Lanka's trade deficit expanded to USD 411.30 million, worsening by 28.9% YoY. However, it showed a 43.9% improvement compared to the previous month.
- The YoY deterioration of the trade balance was driven by growth in total import expenditure and a slight decline in export revenue.
- The cumulative trade deficit since January 2025 widened to USD 1,144 million, reflecting a 33.0% increase compared to the same period last year.

February 2025 import expenditure increased by 6.2% YoY

Total Imports and Growth



Import Indices



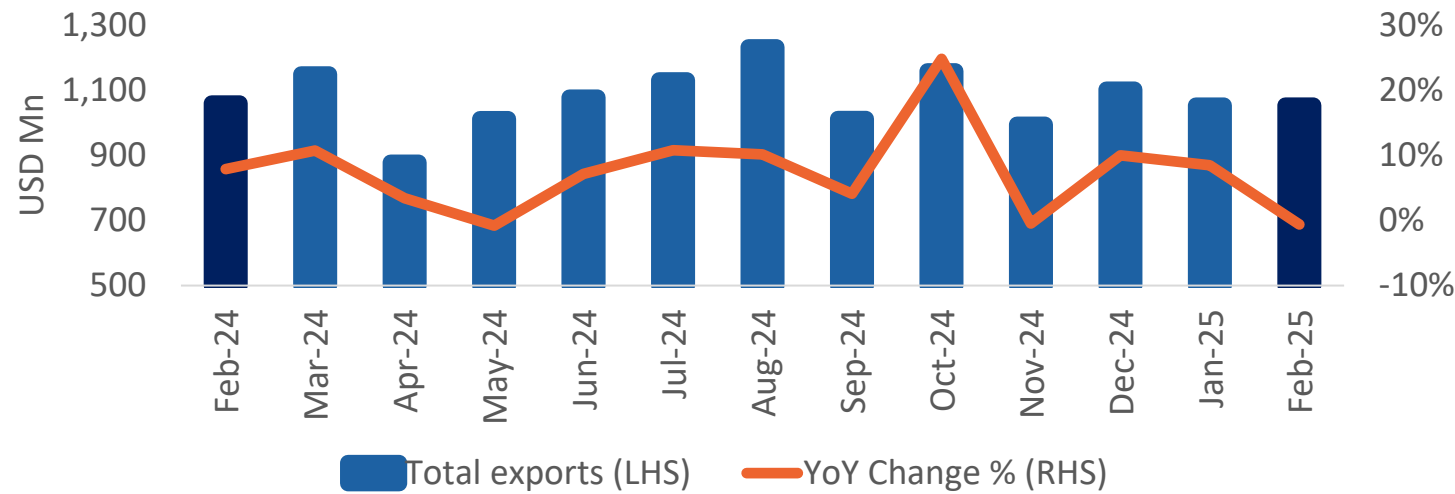
- In February 2025, imports increased by 6.2% YoY to USD 1,464.2 million but declined by 18.0% compared to the previous month. The YoY growth was driven by the rise in consumer goods imports, while other categories saw declines.
- Imports of consumer goods rose due to higher spending on both food and non-food items. Within food items, oils & fats, dairy products, and sugar & confectionery contributed to the growth, while home appliances and medical & pharmaceutical products drove the increase in non-food items.
- Expenditure on intermediate goods declined, primarily due to reduced imports of textiles & textile articles, fuel, and base metals. A decrease in imports of machinery & equipment contributed to the overall decline in investment goods.
- The Import Volume Index increased by 12.0% YoY in February 2025, while the Import Unit Value Index decreased by 26.1% YoY during the same period.

Source: CBSL

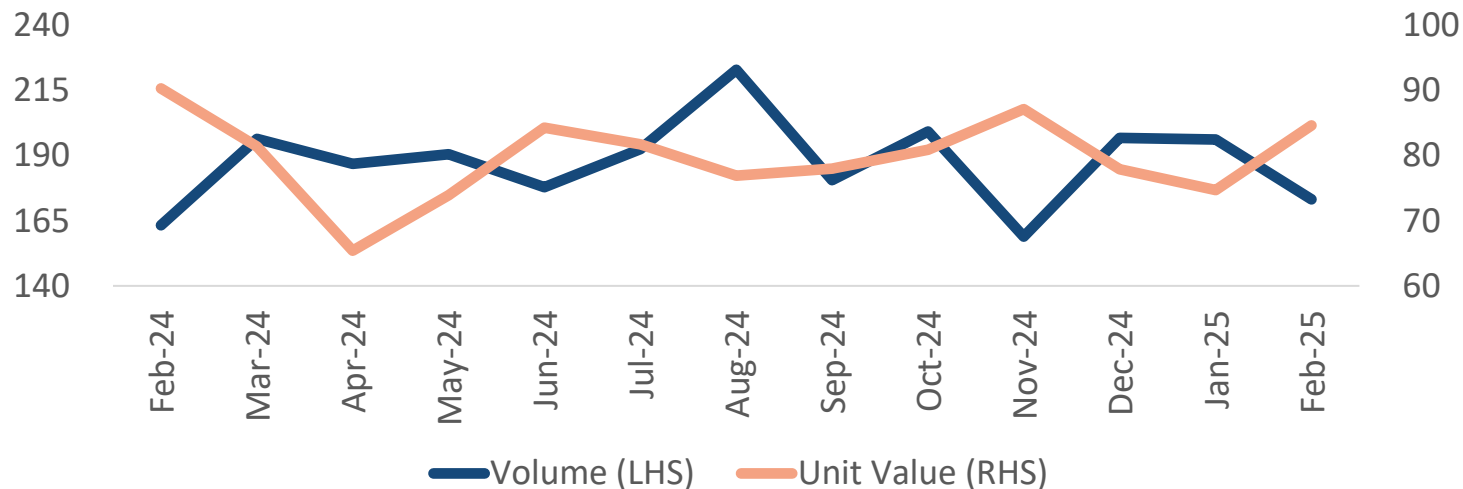
Note: Import unit value index is calculated in USD terms.

February 2025 export earnings marginally declined by 0.6% YoY

Total Exports and Growth



Export Indices



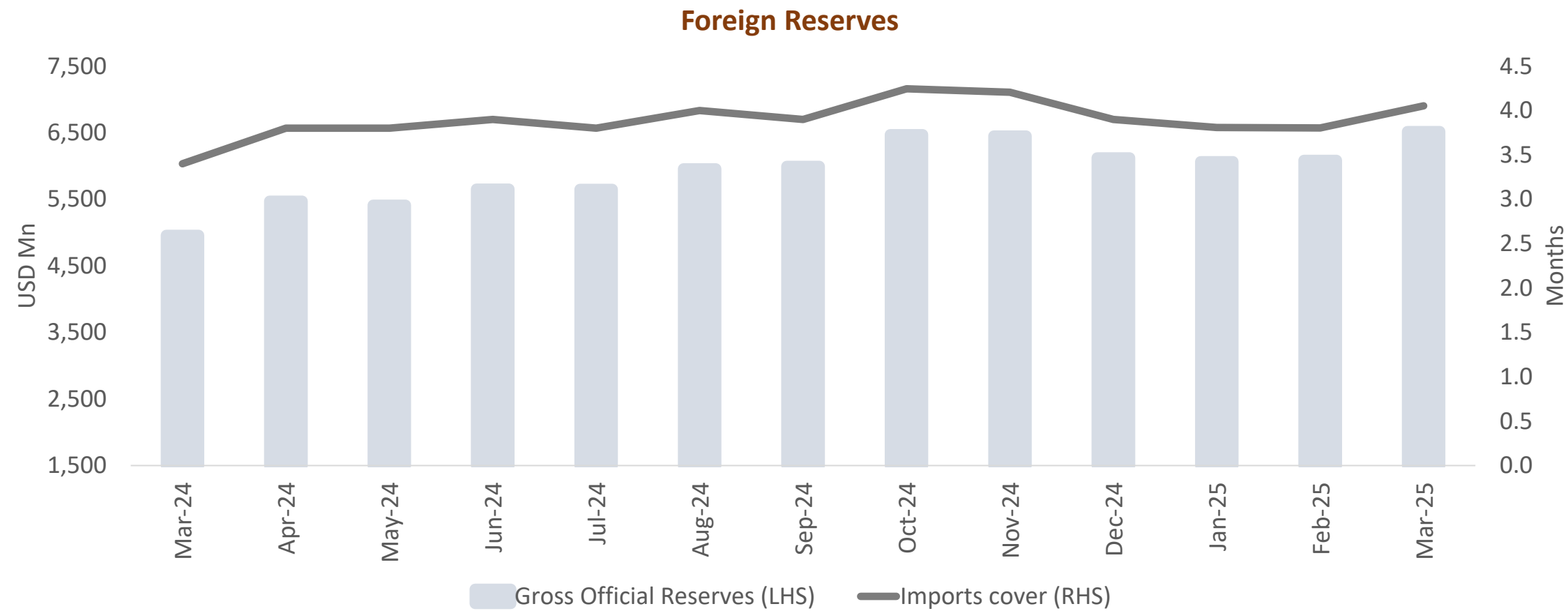
- In February 2025, export earnings slightly declined by 0.6% YoY to USD 1,052.9 million, remaining flat compared to January 2025. The YoY decline was mainly driven by lower industrial exports.
- Industrial goods exports were primarily impacted by declines in petroleum products, rubber products, and machinery and mechanical appliances. However, exports of textiles and garments saw an increase during the month.
- Earnings from agricultural goods exports grew, supported by higher exports of spices and coconut-related products, while tea exports saw a decline during the month.
- In February 2025, the Export Volume Index rose by 6.1% YoY, while the Export Unit Value Index declined by 6.3% YoY during the same period.

Source: CBSL

Note: Export unit value index is calculated in USD terms.

Foreign reserves marginally increased from February to March 2025

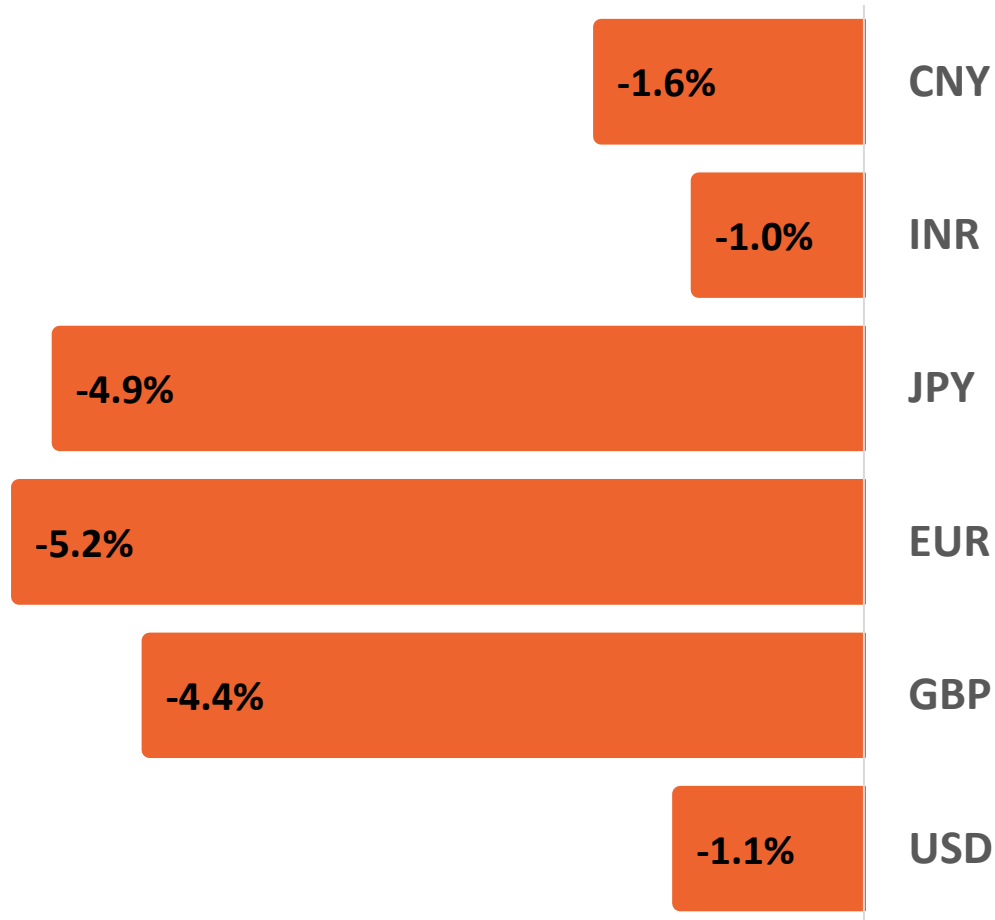
By the end of March 2025, Sri Lanka's gross official reserves increased to USD 6,517 million, compared to the previous month, providing a comfortable buffer equivalent to approximately 4.1 months of import coverage.



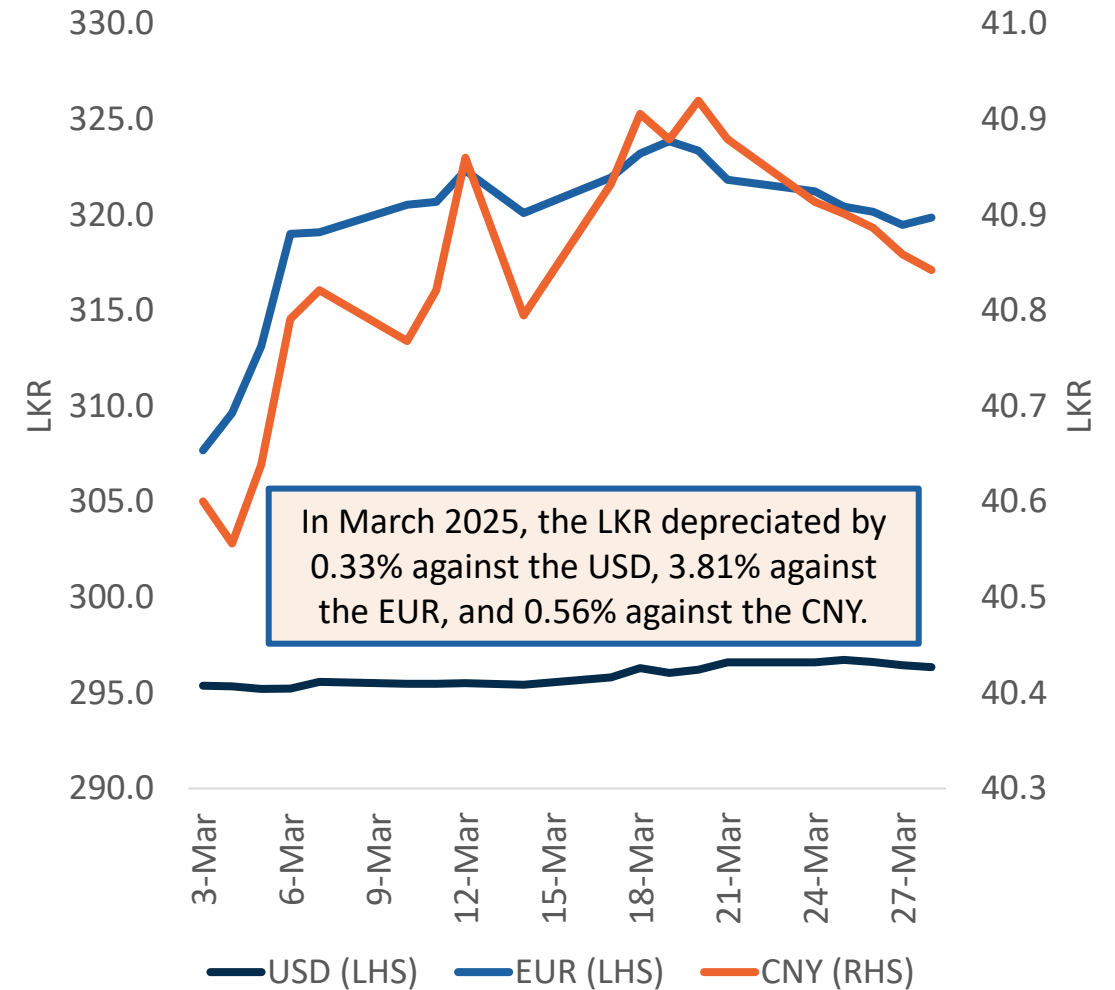
Source: CBSL

Sri Lankan rupee depreciated against major currencies YTD

LKR depreciation against major currencies YTD end of March 2025



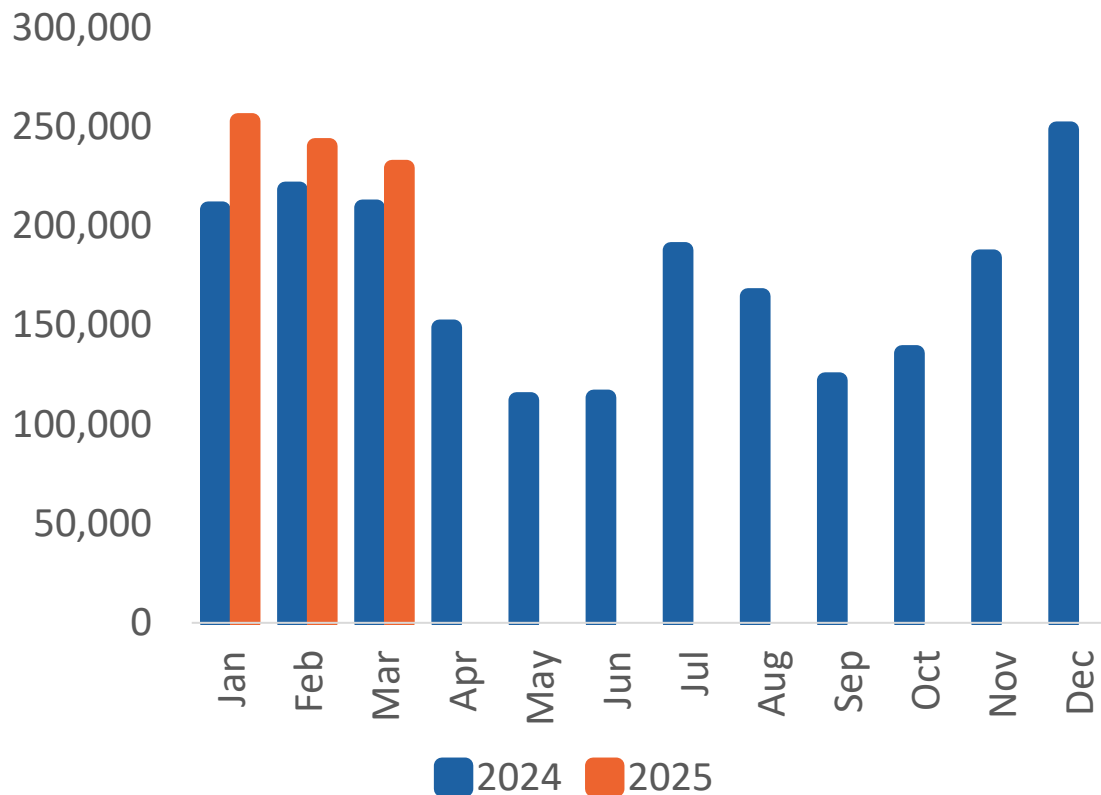
Monthly movement of major currencies



March 2025 tourist arrivals increased by 9.6% YoY

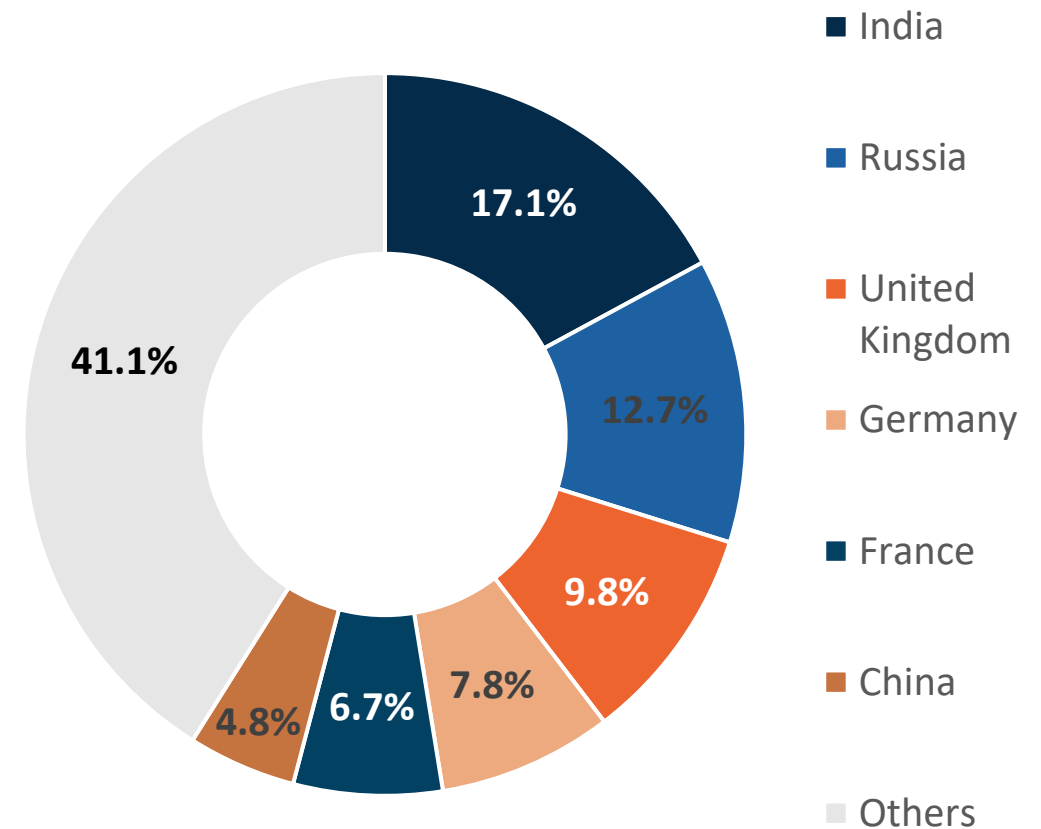
In March 2025, Sri Lanka welcomed 229,298 tourists, marking a 9.6% YoY growth but a 4.5% decline compared to February 2025. Key source markets included India, Russia, the United Kingdom, Germany, France, and China.

Monthly Tourists Arrivals



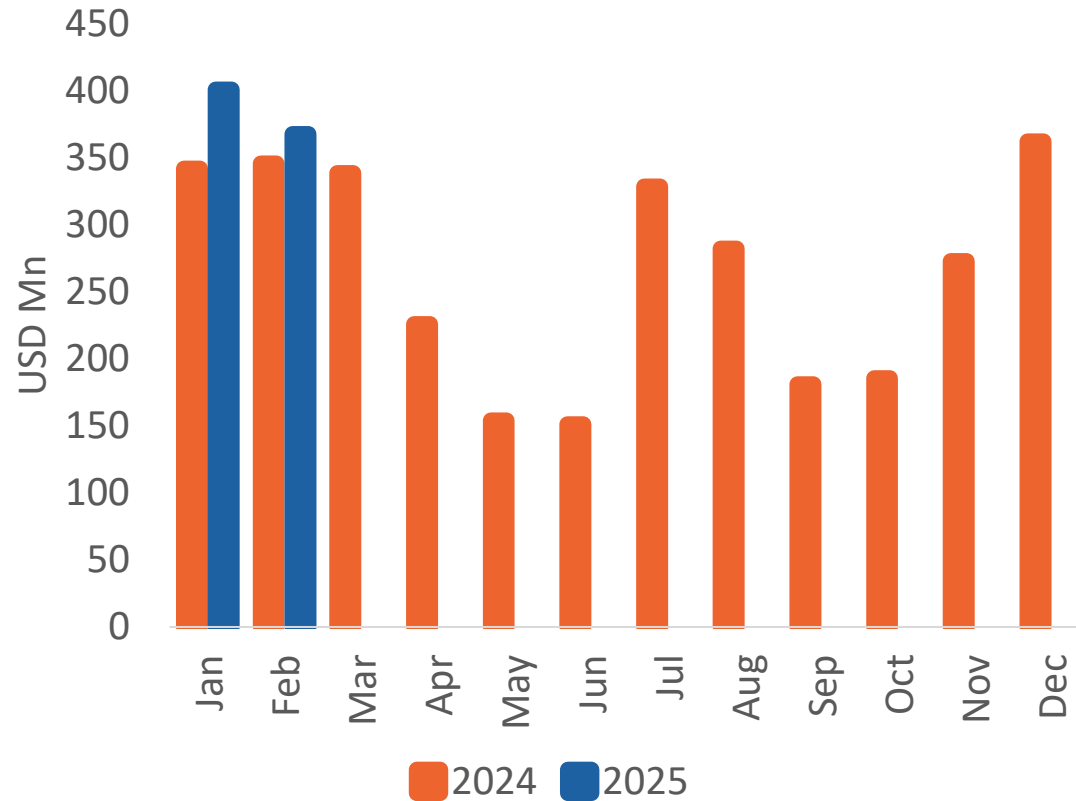
YTD Tourist Arrivals = 492,978

Arrival % by Country in Mar 25



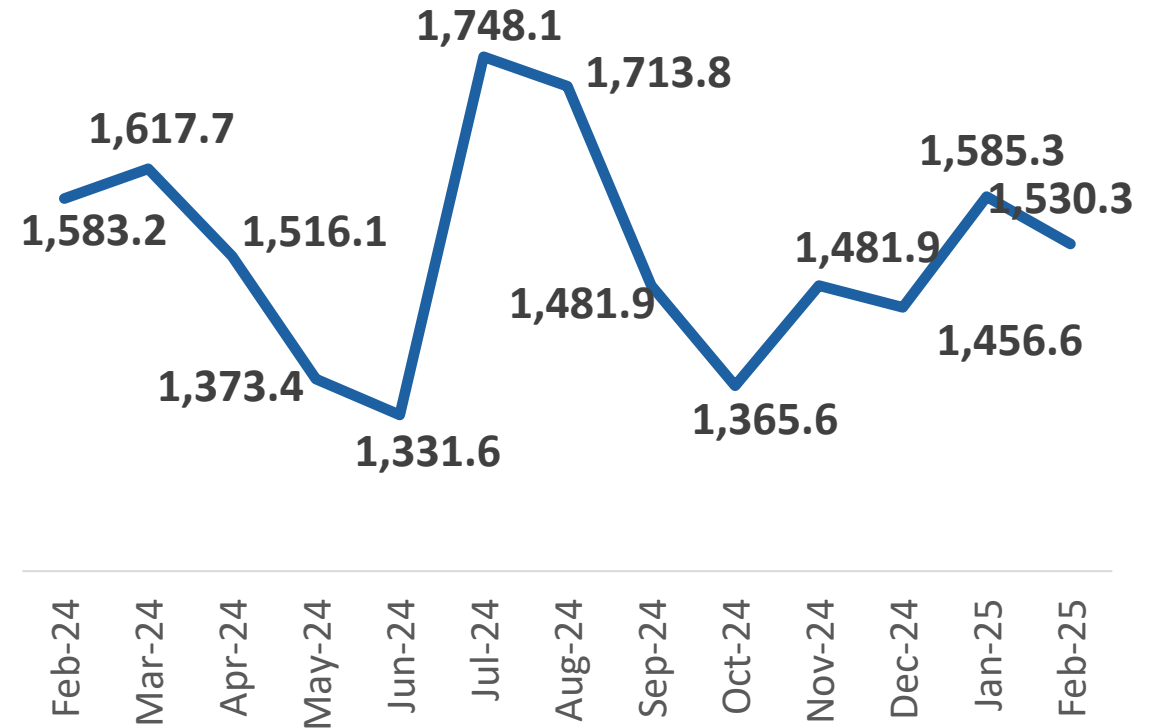
February 2025 tourism earnings increased by 6.3% YoY

Monthly Tourists Earnings



YTD Tourism Earnings = USD 768.3 Mn

Earnings per Tourist (USD)

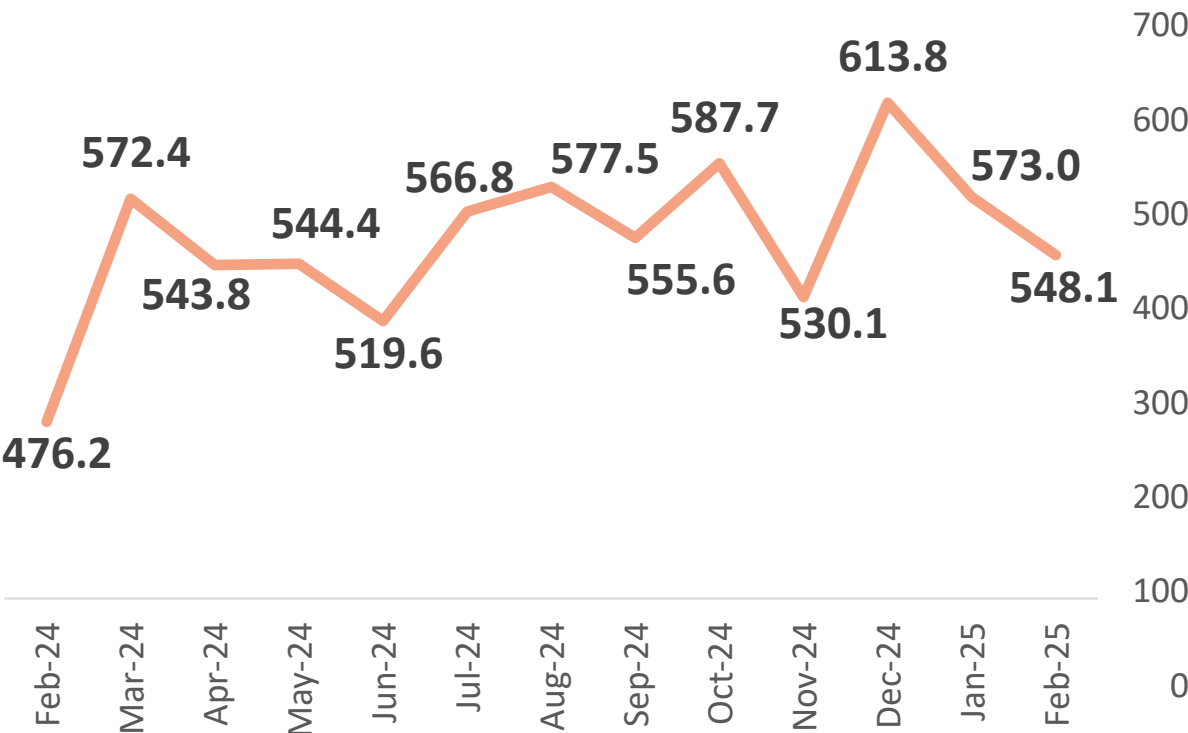


In February 2025, tourism earnings rose by 6.3% YoY to USD 367.6 million but declined by 8.3% compared to the previous month. Earnings per tourist were USD 1,530.3, reflecting a 3.3% YoY decline and a 3.5% decrease from the previous month.

February 2025 worker remittances increased by 15.1%

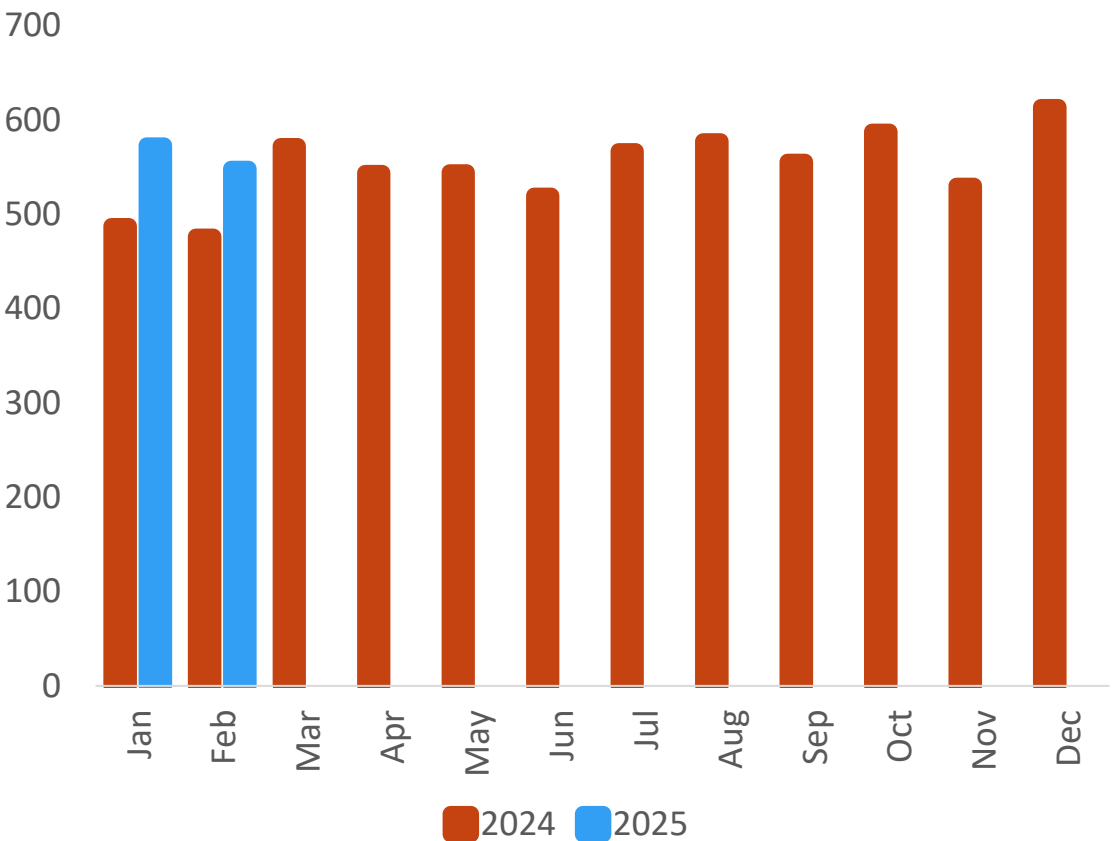
In February 2025, remittance inflows reached USD 548.1 million, reflecting a 15.1% YoY growth. However, this was a 4.3% decline compared to January 2025.

Workers' Remittances (USD-Mn)



YTD Remittances = USD 1,121.1 Mn

Workers' Remittances (USD Mn)



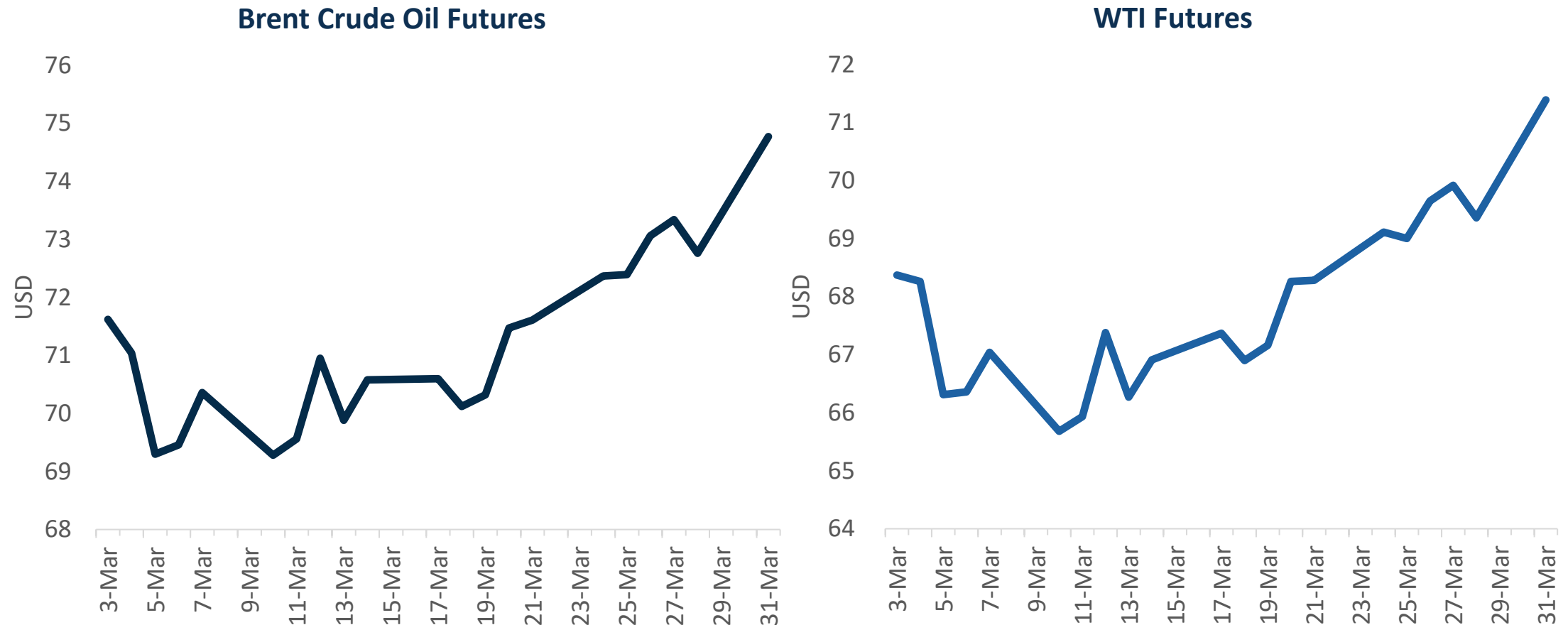


COMMODITIES AND OTHER

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Crude oil prices increased 4.4% in March 2025



In March 2025, crude oil prices increased, with Brent crude increasing by 4.40% and WTI futures increasing by 4.42%. Early-month oil prices were pressured by OPEC+ supply hikes, trade war escalations, and weak demand indicators. However, prices rose toward the month's end following a ceasefire deal in the Russia-Ukraine war and a new agreement on Iran's nuclear program. Meanwhile, Trump warned of potential secondary sanctions on Russia's energy sector if ceasefire deal was not reached.

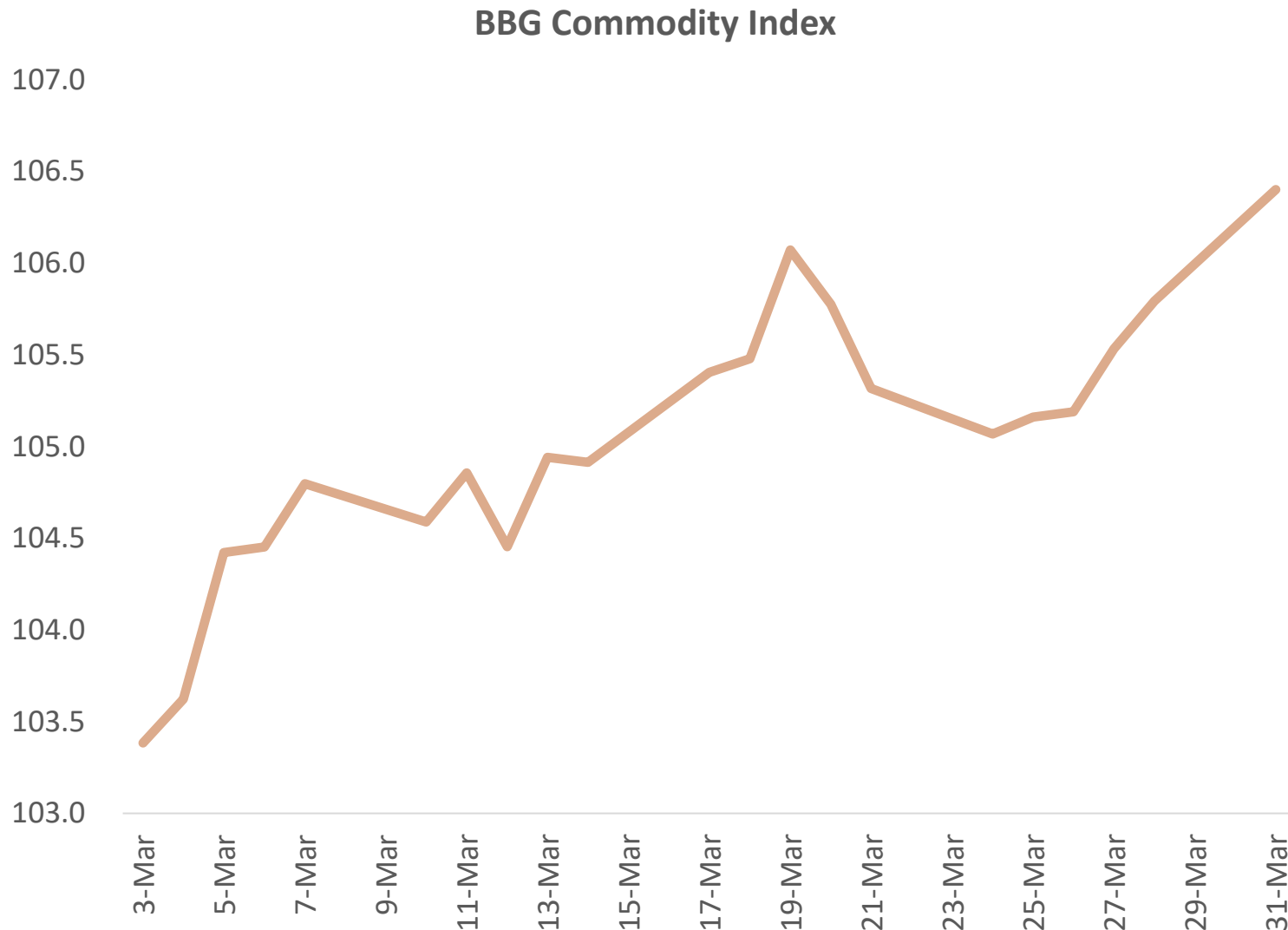
Natural gas prices marginally declined by 0.1% during March 2025

In March 2025, U.S. natural gas prices edged down by 0.1%. Early in the month, record flows to LNG export plants and forecasts of colder weather drove prices higher. However, surprise storage builds and expectations of milder weather later in the month exerted downward pressure on prices.



Source: Investing.com

Commodities prices increased by 2.9% in March 2025



- In March 2025, the Bloomberg Commodity Index rose by 2.9%.
- Throughout the month, soybean prices rose by 0.3%, while corn prices increased by 0.2%. Exporter demand for grain supported prices, while announcements from China and Canada regarding new tariffs on U.S. foodstuffs exerted downward pressure.
- In the industrial metals sector, copper prices surged by 9.3% as the Chinese government pledged to boost consumption, while aluminum prices declined by 3.1%. Meanwhile, a 25% tariff on all steel and aluminum imports to the U.S. came into effect during the month.
- In the precious metals sector, gold prices climbed 8.6% amid economic uncertainty driven by the global trade war. Investors sought protective assets like gold in response to President Trump's unpredictable tariff threats.

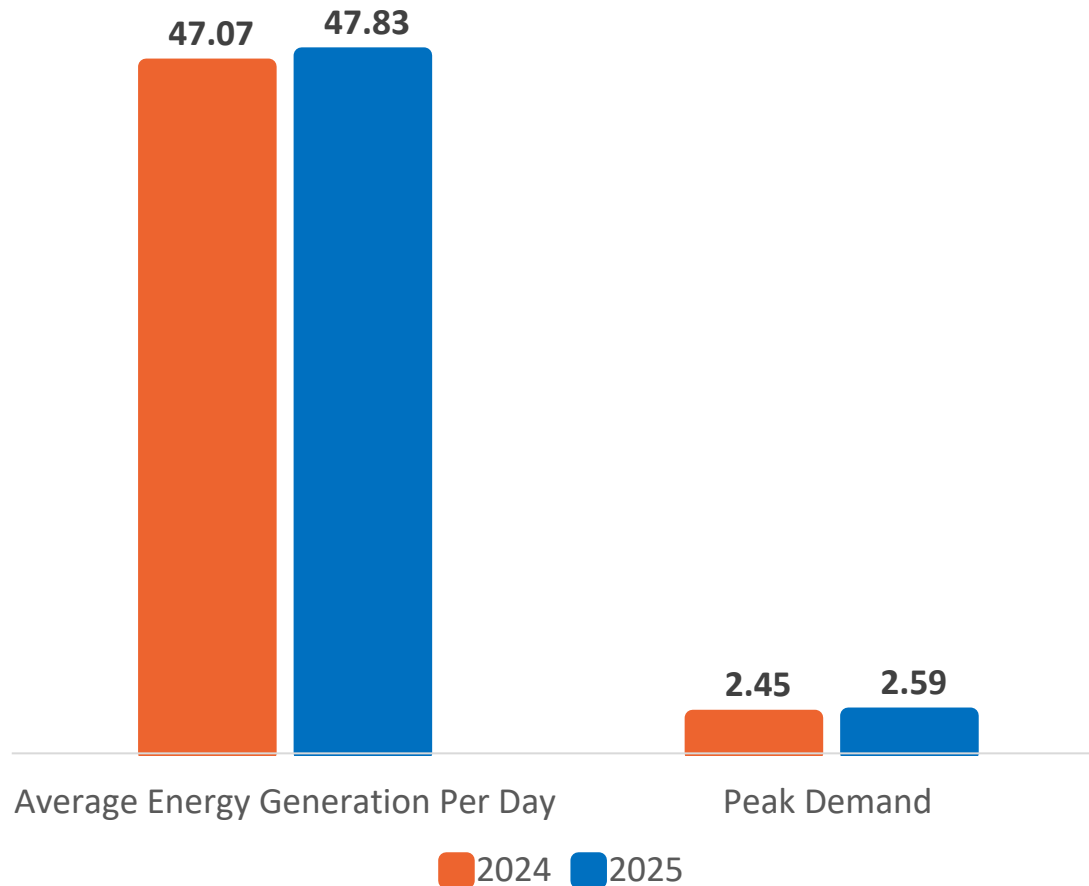
Note: The Bloomberg Commodity Index is a diversified commodity price index covering 23 exchange-traded futures in sectors like energy, grains, industrial metals, livestock, and precious metals.

Source: Investing.com

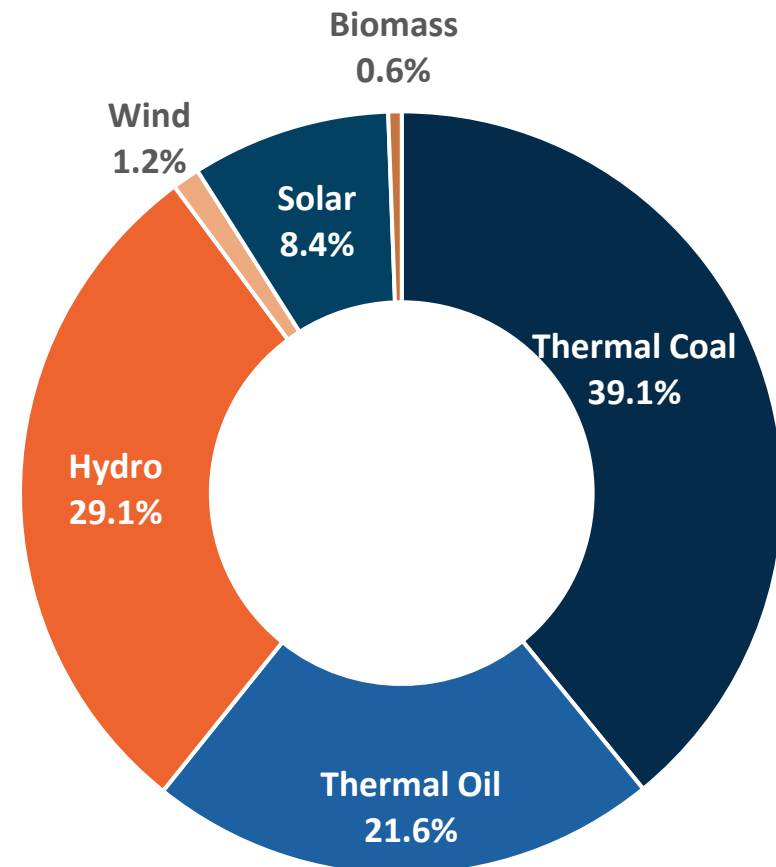
March 2025 daily electricity generation rose 1.6% YoY

In March 2025, average daily electricity generation reached 47.83 GWh, marking an 1.6% increase compared to the same month last year. The average daily peak demand during the month was 2.59 GWh.

**Average Daily Electricity Generation
in March (GWh)**



**Electricity Generation Composition by Category
in March 2025**



February 2025 tea production plummeted by 22.0% YoY

In February 2025, Sri Lanka's tea production experienced a significant decline of 22.0% YoY, totaling 15.60 million kilograms. Similarly, tea exports saw a reduction, with volumes dropping by 8.6% compared to the previous year, reaching 20.40 million kilograms. Consequently, export earnings also fell by 11.2% YoY, amounting to LKR 39.93 billion.

Tea Exports

For Feb 25	Volume in Kgs	Value in LKR Mn
Tea in Bulk	8,973,112	13,065
Tea in Packets	8,641,200	14,188
Tea in Bags	2,138,240	5,692
Instant Tea	259,163	949
Green Tea	386,594	1,548
Total	20,398,309	35,442

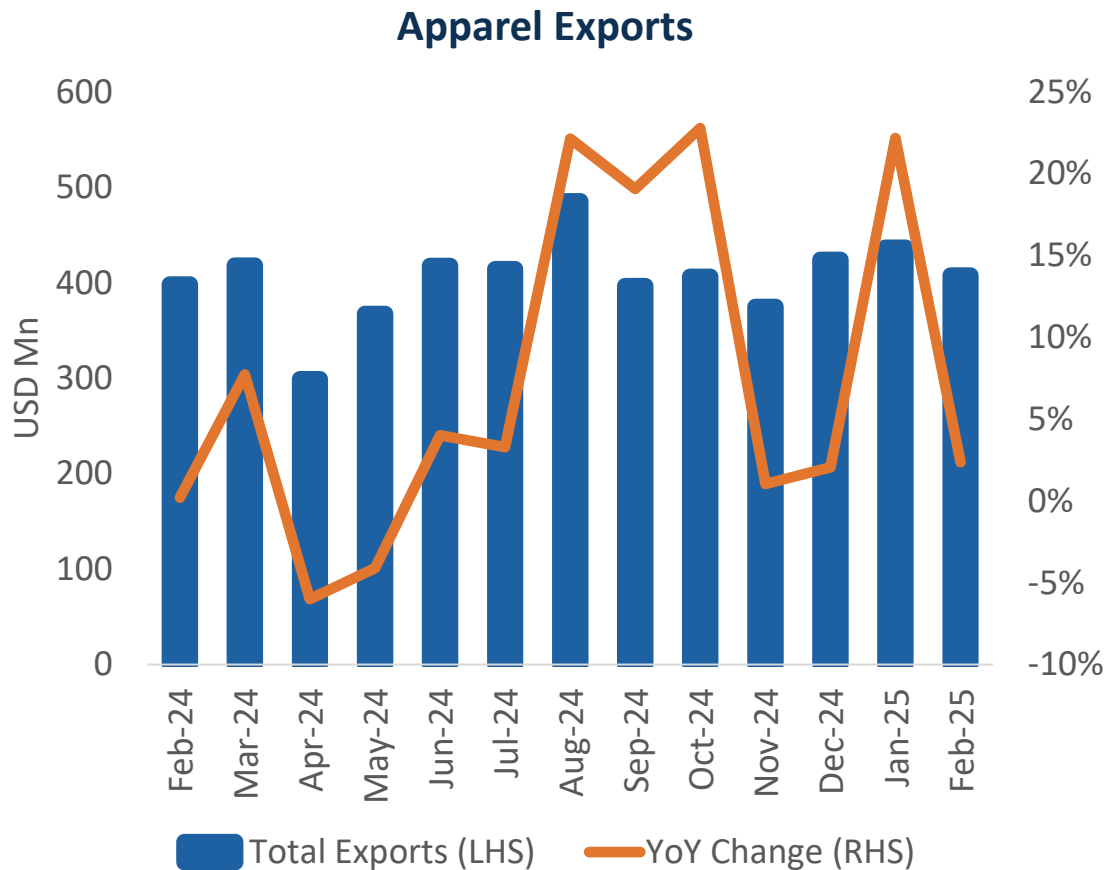
Average Tea Auction Prices (Monthly)

For Jan 25	LKR per Kg
High	1,111.24
Medium	1,036.33
Low	1,244.09
Total	1,187.06

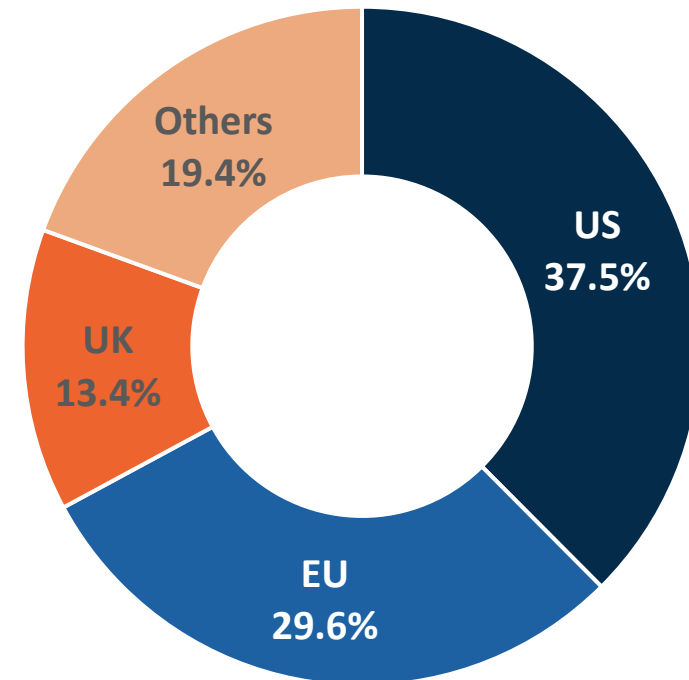
Tea Production

For Feb 25	Kgs
High	3,359,208
Medium	2,522,925
Low	9,555,790
Green Tea	158,205
Total	15,596,128

February 2025 apparel exports soared by 22.2% YoY



Top Export Markets - February 2025



Sri Lanka's apparel exports in February 2025 totaled USD 407.93 million, showing a 2.4% YoY growth but a 6.7% decline from the previous month. Exports to key markets saw mixed performance with shipments to the United States falling by 7.4% YoY, exports to the European Union rising by 7.5% YoY, and exports to the United Kingdom dropping by 14.6% YoY.

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